



ALLIANCE FINANCIAL
GROUP BERHAD (6627-X)

Banking Made Personal

ANALYST BRIEFING

Financial Year Ended 31 March 2012

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Financial Results for FY2012

Our Business Model... “To Build Sustainable and Predictable Financial Performance”

Line of Business



Strategy

Revenue: Driving Fee Income through Cross-Selling

ROE; CIR 

Major Products

CONSUMER BANKING

- Mortgage Loans
- Credit Cards
- Personal Loans
- Hire Purchase
- Deposits

Existing Opportunities

BUSINESS BANKING






- **SME**
- **WHOLESALE**
 - Transaction Banking
 - Cash Management
 - Trade Finance
 - Treasury Sales
 - Investment Banking

Existing Opportunities

- Wealth Management
- Bancassurance
- Advisory
- Stockbroking

New Growth Opportunities

We achieved good progress against our 3-Year Medium Term Targets FY2012 – FY2015

		FY2012 Achievement	
Asset Quality	... gross impaired loans to be better than industry average	2.4%	
Non Interest Income Ratio	... to increase non-interest income to 30% of total revenue	26.8%	
Cost to Income Ratio	... move to industry average (45% - 48%) through: <ul style="list-style-type: none"> targeted revenue growth improved productivity 	47.3%	
Return on Equity	... achieve industry average (14% - 16%) through: <ul style="list-style-type: none"> focus on underlying earnings momentum effective capital management 	13.6%	
Dividend Policy	... pay “as much as we can afford, whenever we can”, subject maintaining strong capital ratios	42.3%	

Key performance metrics are improving in right direction

	FY12	FY11	Change
Profitability/ Efficiency Ratio			
Return on Equity	13.6%	13.0%	+0.6%
Return on Assets	1.3%	1.2%	+0.1%
Non-Interest Income Ratio	26.8%	20.8%	+6.0%
Cost-to-Income Ratio	47.3%	48.3%	+1.0%
Asset Quality			
Gross Impaired Loans	2.4%	3.3%	+0.9%
Loan Loss Coverage Ratio	108.5%	90.1%	+18.4%
Liquidity & Capital Ratio			
CASA Ratio	33.7%	34.0%	- 0.3%
Loan to Deposit Ratio	77.8%	78.8%	+1.0%
Risk Weighted Capital Ratio	15.2%	16.1%	- 0.87%
Core Capital Ratio	11.5%	11.9%	- 0.43%

- ❑ Achieved ROE of 13.6%.
 - Driven mainly by expansion in non-interest income ratio to 26.8%; and
 - Drop in cost-to-income ratio to 47.3% due better cost management.
- ❑ Gross impaired loans ratio dropped to 2.4% and loan loss coverage raised to 108.5%, better than industry average.
- ❑ Flexibility to expand balance sheet, with:
 - 15.2% RWCR
 - 77.8% loans to deposits ratio
 - Stable CASA ratio at 33.7%

FY2012: Net Profit After Taxation Rose 17.3% to RM479.8 mil

	FY12 RM mil	FY11 RM mil	Change	
			RM mil	%
Net Interest & Islamic Banking Income	930.2	903.0	27.2	+3.0%
Non-Interest Income	320.2	225.7	94.5	+41.8%
Net Income	1,250.4	1,128.7	121.7	+10.8%
Operating Expenses	591.8	544.9	46.9	+8.6%
Operating Profit	658.6	583.8	74.8	+12.8%
Allowance for losses on loans, advances and financing and other losses	-34.6	-33.3	-1.3	+3.9%
Write back of impairment	21.6	4.1	17.5	+426.8%
Pre-tax profit	643.6	553.1	90.5	+16.4%
Net Profit After Taxation	479.8	409.2	70.6	+17.3%

□ 17.3% increase in net profits driven by growth in:

- Net interest income due to 11.3% expansion in loans, but offset with margin compression and rise in cost of funds.
- Non-interest income due to recurring transaction banking, treasury sales and wealth management.
- Write back in impairment provisions due to RM23.1 million of CLO recoveries.

Offset by:

- 8.6% rise in operating expenses in line with business expansion.
- Higher collective impairment provisions due to acceleration in gross loans growth to 11.3%, from 4.8% in FY2011.

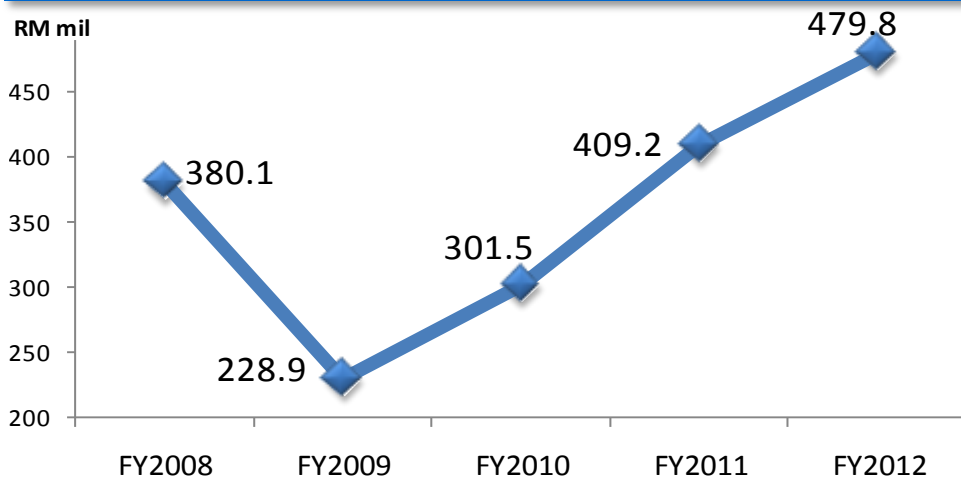
FY2012: Total assets expanded 9.8% to RM39.6 billion, driven by acceleration in loans growth

	FY12 RM bil	FY11 RM bil	Change	
			RM bil	%
Net Loans, Advances and Financing	24.4	21.8	2.6	+11.8%
Investment and Dealing Securities	11.4	12.1	0.7	-6.0%
Deposits from Customers	32.1	28.3	3.8	+13.4%
Total Assets	39.6	36.1	3.5	+9.8%
Shareholders' Funds	3.7	3.4	0.3	+9.5%

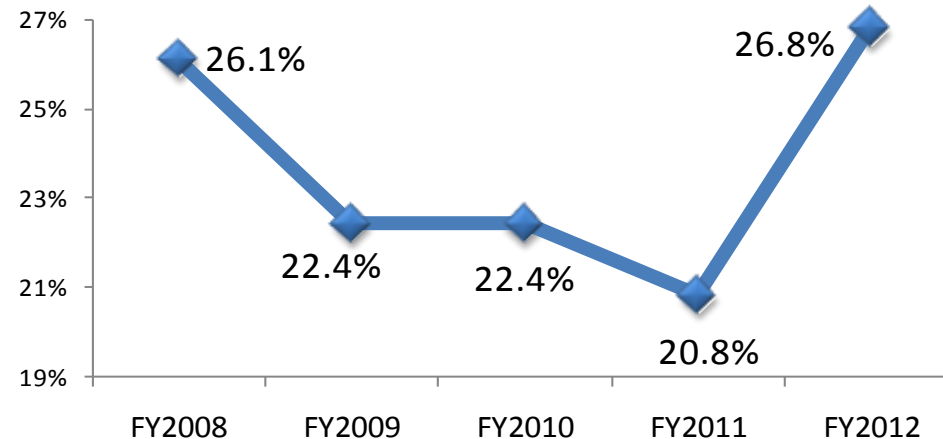
- ❑ Total assets expanded by 9.8% to RM39.6 billion.
- ❑ Double-digit net loans growth of 11.8% to RM24.4 billion, driven by Consumer and Business Banking.
- ❑ Healthy liquidity with customer deposits expanding by RM3.8 billion or 13.4%.
- ❑ Shareholders' funds increased by 9.5%.

Financial Performance is improving, with Key Metrics in Right Direction

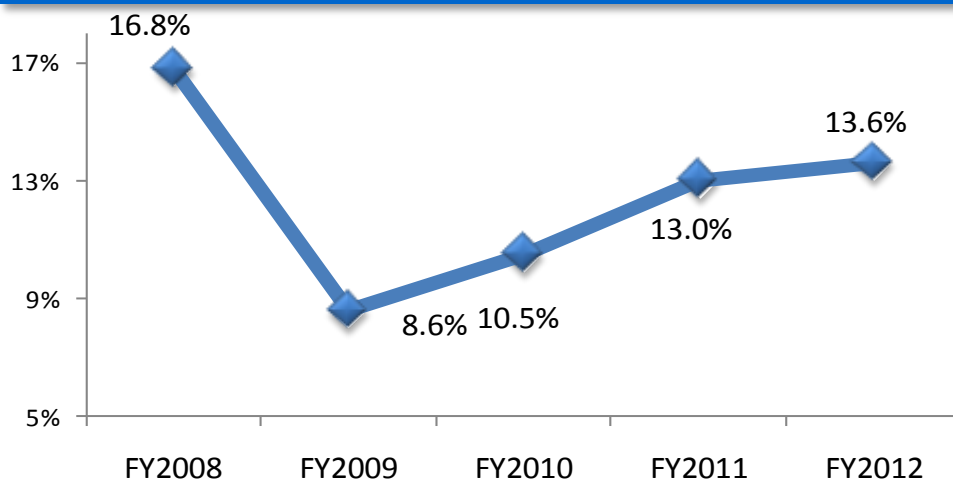
Profit After Tax



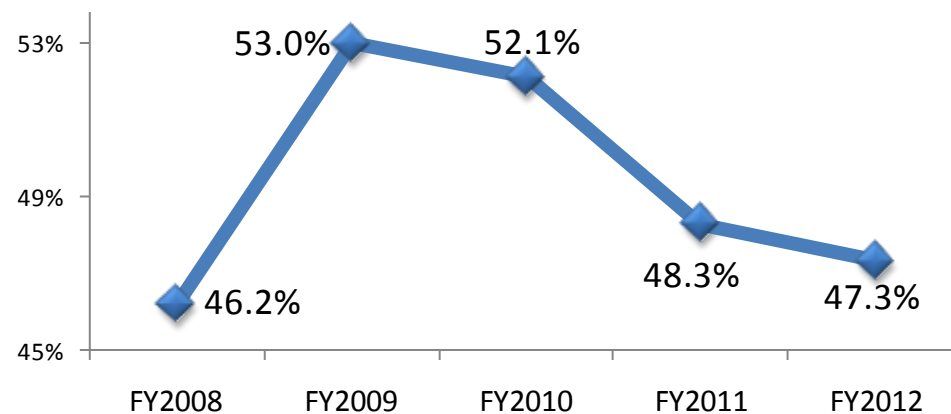
Non-Interest Income Ratio



Return on Equity



Cost-to-Income Ratio



 **The Bank remains strong and well-positioned.**

- Clear niche position in Consumer and Business Banking.
- Well-capitalised, with strong asset quality.
- Continued focus on strengthening risk management capabilities.

 **Achieving continued growth.**

- Clear strategy focused on building sustainable long-term growth.
- Leverage on all our business franchises to drive non-interest income activities.
- Launched new initiatives such as Transaction banking, Treasury sales, Bancassurance and Wealth Management.

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

- Improving customer service, cross-selling, productivity and reducing turn around times. remains a major priority.
- Impactful investment in our IT and infrastructure.
- Focus on human capital with right values.

Growing Non-Interest Income: 8-Year Bancassurance Arrangement with AIA

Our Objectives

- ❑ One-stop financial services center for customers' convenience – both banking and insurance products
- ❑ Broad suite of products to meet market, customer and channel needs
- ❑ Provide financial solutions that maximise savings potential and provides protection to the customers

Initiatives

January 2011

- ❑ Established Takaful joint venture with AIA

March 2012

- ❑ Formalized an 8-year arrangement with AIA

March 2012

- ❑ Launched Premier Income 5 ("PI5")
- ❑ Maximises savings potential
- ❑ Provides protection to subscribers

The opportunities ahead

- Innovative & high-value products for:
- Protection
 - Savings / Investments
 - Medical / Health
 - Retirement



Product Development

Strategic
Partnership



Distribution channels



What Does AIA Provide?

- ❑ Highly experienced in multi-channel distribution, including in-branch sales, direct marketing, and tele marketing, worksite marketing, cross-referrals, brokers and mobile sales team
- ❑ Strong product development capabilities

The FY2013 Business Plans will focus on...

Our Aspirations

A

To Build “Predictable & Sustainable Financial Performance”

B

To Build “Best Customer Service Bank”

C

To Develop “Engaged Employees with Right Values”

How?

Generate recurring revenue from existing & new business opportunities

Building infrastructure and the Alliance brand

Delivering excellent customer service and experience

Enhancing cost efficiency and productivity

Reinforcing the right values & rewarding performance

Who?

Consumer Bkg

SME Bkg

Investment Bkg

Wholesale Bkg

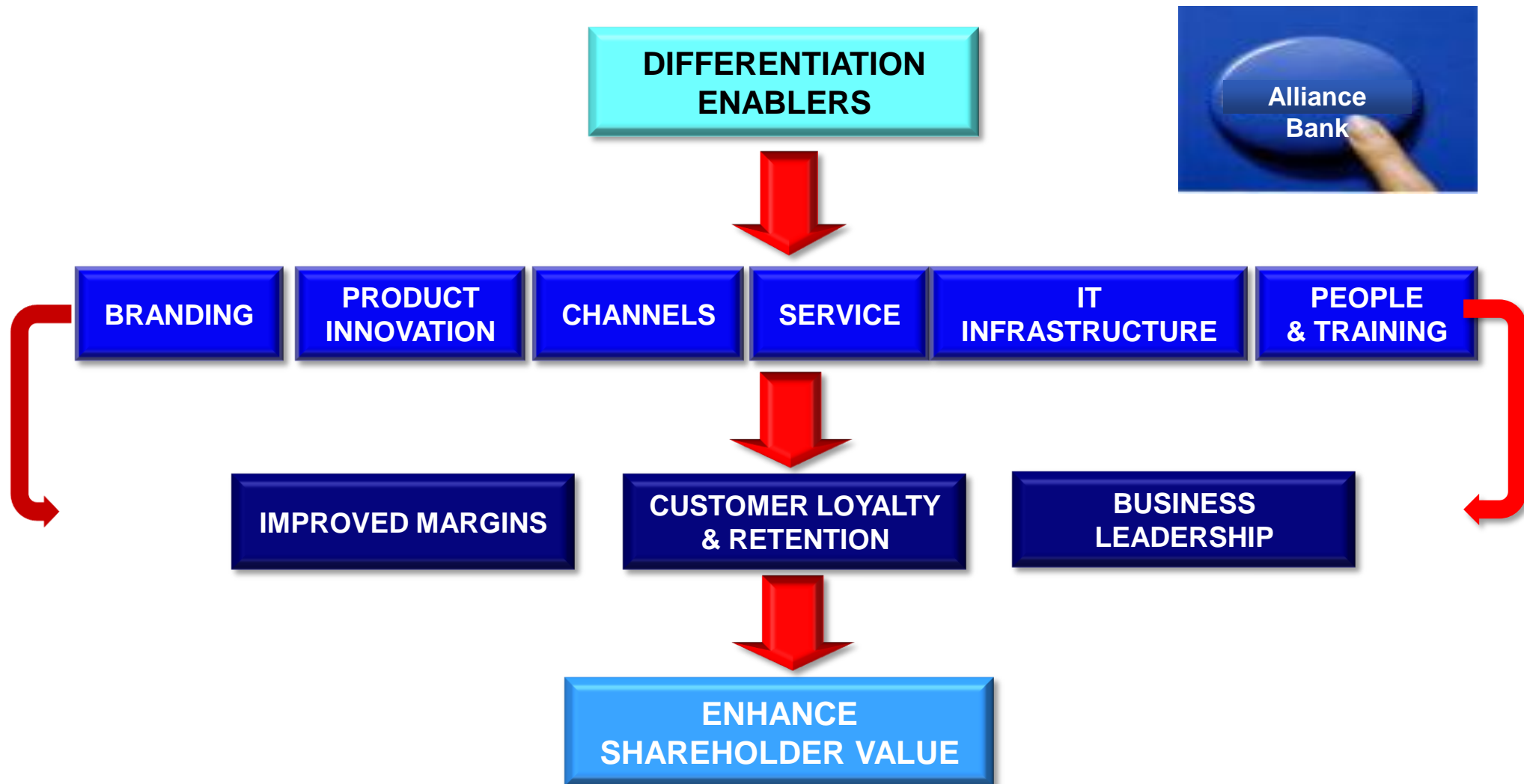
Islamic Bkg

Financial Markets

Asset Mgt.

Strategic Action Plans by Each LOB

Drive high productivity with effective cost management



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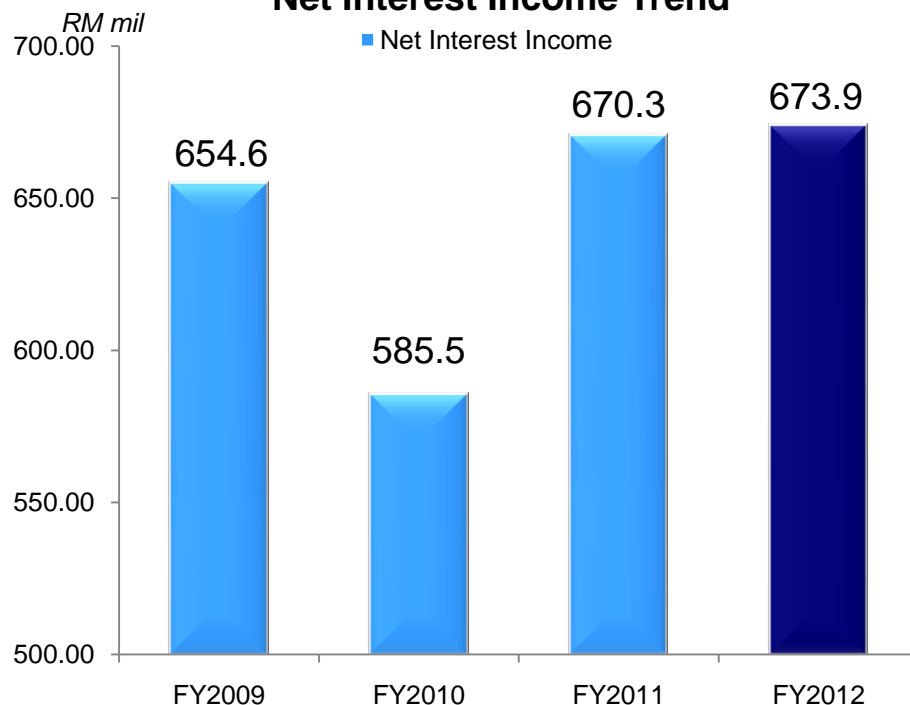
Executive Summary

2

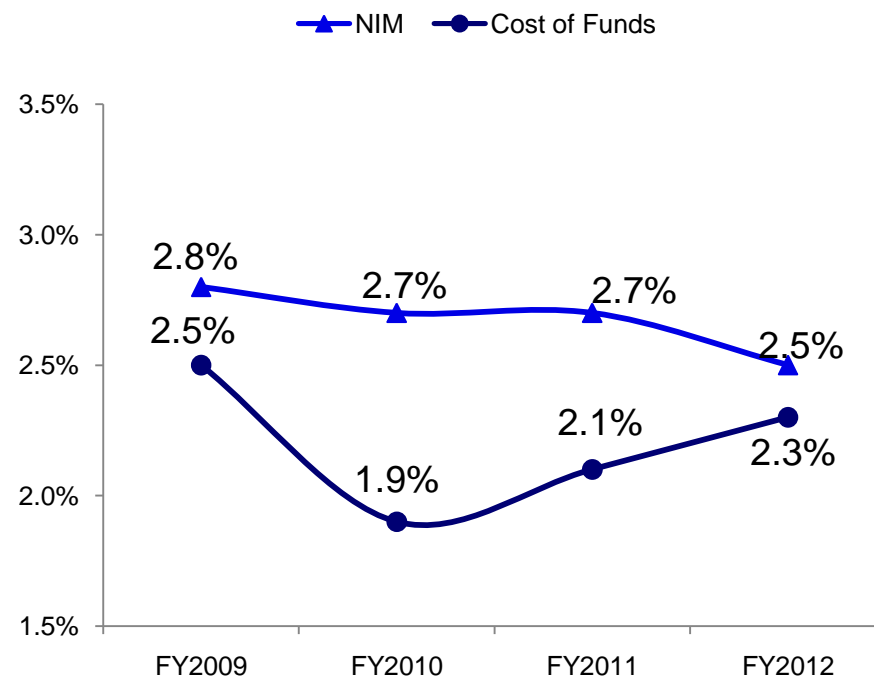
Financial Results for FY2012

Sustainable Interest income and margin

Net Interest Income Trend



NIM and Cost of Funds Trend



Q4FY12 vs Q4FY11
+RM3.8 mil
+ 2.4%

Q4FY11 vs Q4FY10
+RM4.3 mil
+ 2.8%

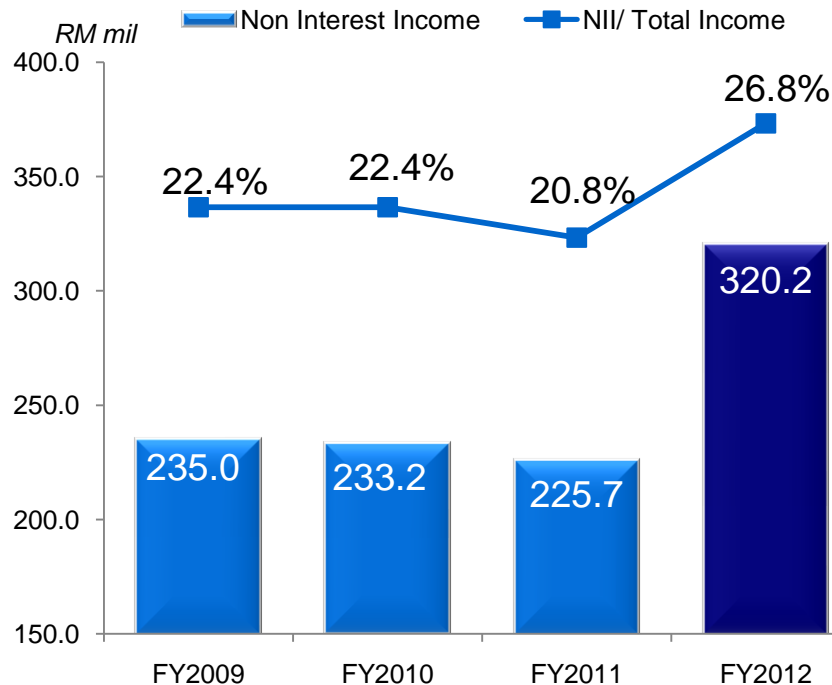
FY12 vs FY11
+ RM3.6 mil
+ 0.5%

FY11 vs FY10
+ RM84.8 mil
+ 14.5%

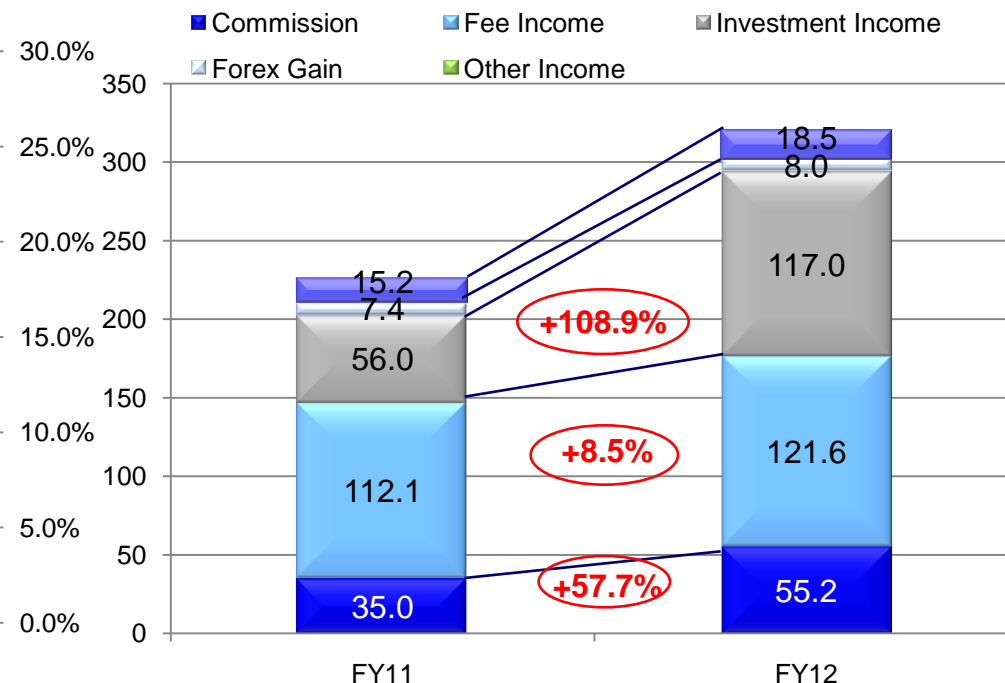
- ❑ Interest income increased by RM3.6 mil (0.5%) y-o-y, and RM4.6 mil (2.9%) q-o-q.
- ❑ Net interest margin ("NIM") contracted by 20 bps to 2.5% in FY2012, due to rise in cost of funds – follow through impact of OPR revision in 2010 and increase in SRR.

Non Interest Income gaining momentum

Non-Interest Income Trend



FY2012 Growth



Q4FY12 vs Q4FY11
+ RM36.2m
+ 69.4%

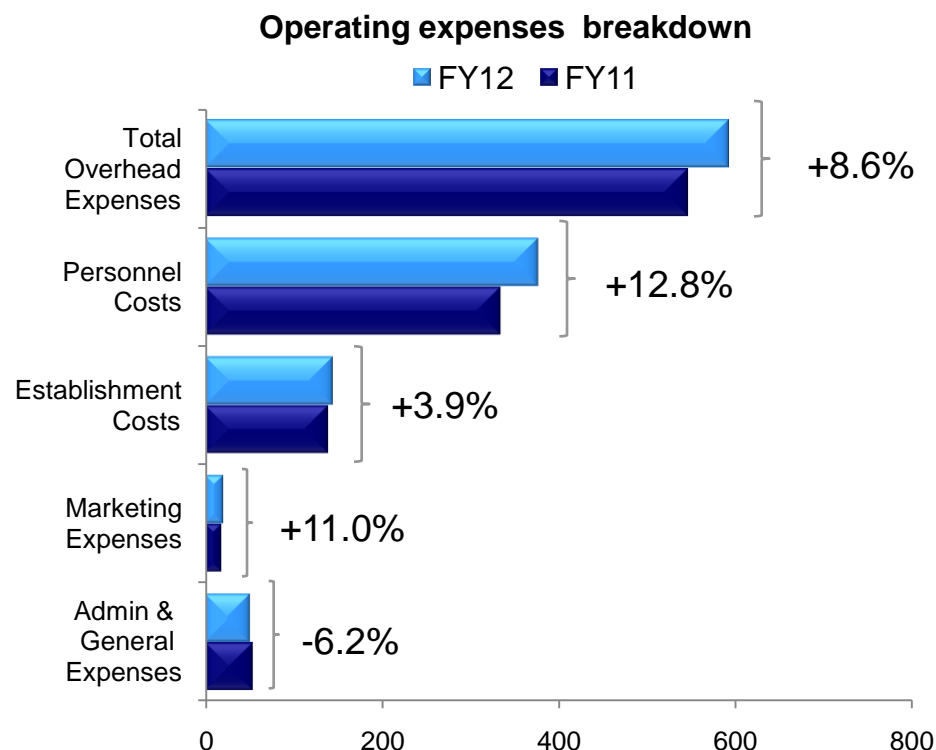
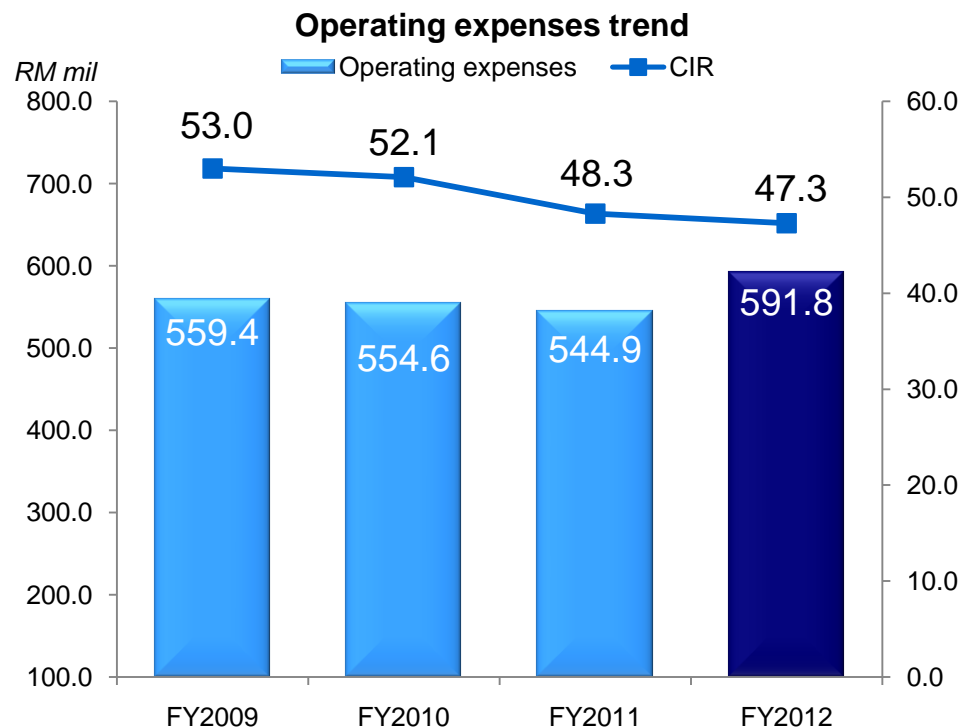
Q4FY11 vs Q4FY10
+ RM1.2m
+ 2.4%

FY12 vs FY11
+ RM94.5m
+ 41.8%

FY11 vs FY10
- RM7.4m
-3.2%

- Non-Interest Income growth of RM36.2 mil (69.4%) q-o-q and RM 94.5 mil (41.8%) y-o-y.
- The Non-Interest Income growth was mainly from an increase in treasury trading activities, foreign exchange gain, commission from sale of wealth management products, and trade bills.

Cost-to-income ("CIR") ratio declined further to 47.3%, from 48.3% a year ago



Q4FY12 vs Q4FY11
+RM10.3 mil
+ 7.0%

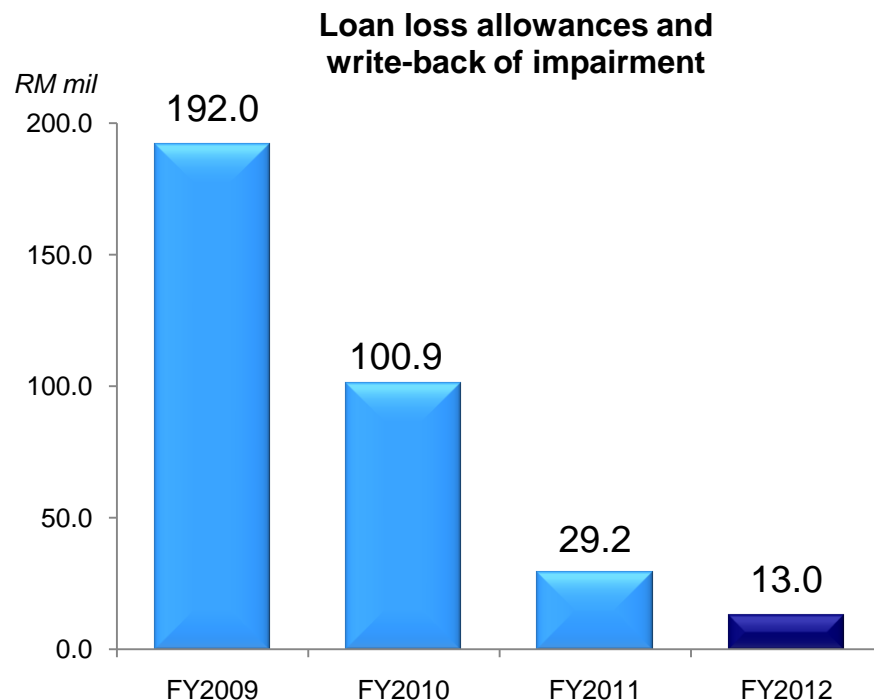
Q4FY11 vs Q4FY10
RM7.6 mil
+ 5.5%

FY12 vs FY11
+ RM46.9 mil
+ 8.6%

FY11 vs FY10
- RM9.7 mil
-1.7%

- Cost growth moderated to 8.6%. Increase mainly from personnel expenses as we continue to invest in human capital and IT infrastructure to support the business growth.

Net charge for loan provisions dropped to RM13.0 million



Q4FY12 vs Q4FY11
-RM4.8 mil
- 57.3%

Q4FY11 vs Q4FY10
+RM23.1 mil
+73.3%

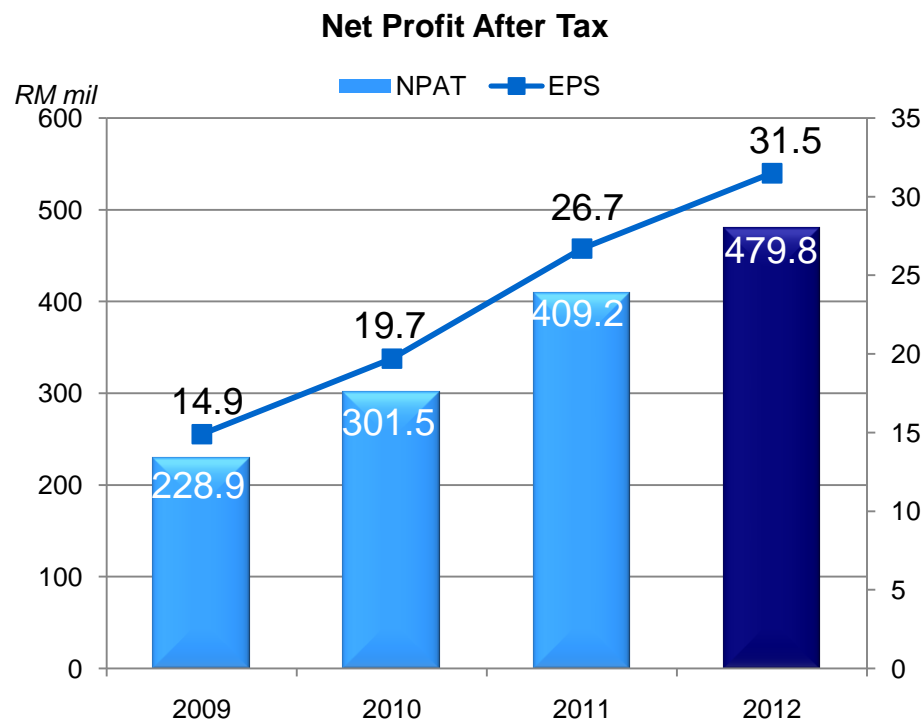
FY12 vs FY11
- RM16.2 mil
- 55.5%

FY11 vs FY10
- RM71.7 mil
-71.0%

	FY09 RM mil	FY10 RM mil	FY11 RM mil	FY12 RM mil
(Allowances for)/ write-back of losses on loans, advances and financing, and other losses	-115.1	31.9	-33.3	-34.6
Write-back of/ (allowance for) impairment	-76.9	-132.8	4.1	21.6

- ❑ Impairment provision set aside of RM34.6 million (FY2011: RM33.3 million), due to expansion in loans portfolio by 11.3% (FY2011: 4.8%).
- ❑ Total impairment provision write back of RM23.1 mil from the CLO recoveries.

FY2012: Net Profit After Taxation up 17.3%



Q4FY12 vs Q4FY11
+RM 22.7 mil
+ 26.7%

Q4FY11 vs Q4FY10
+ RM7.7 mil
+ 9.9%

FY12 vs FY11
+ RM70.6 mil
+ 17.3%

FY11 vs FY10
+ RM107.7 mil
+35.7%

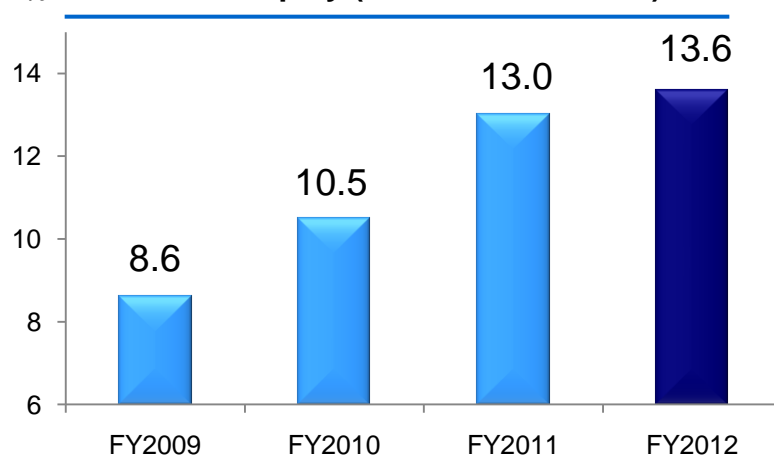
NPAT and EPS by entities

Legal Entities	FY2012		FY2011	
	NPAT RM mil	EPS sen	NPAT RM mil	EPS sen
ABMB	484.3	81	415.4	70
AIS	72.6	24	56.1	19
AIBB	38.9	10.66	45.7	12.52

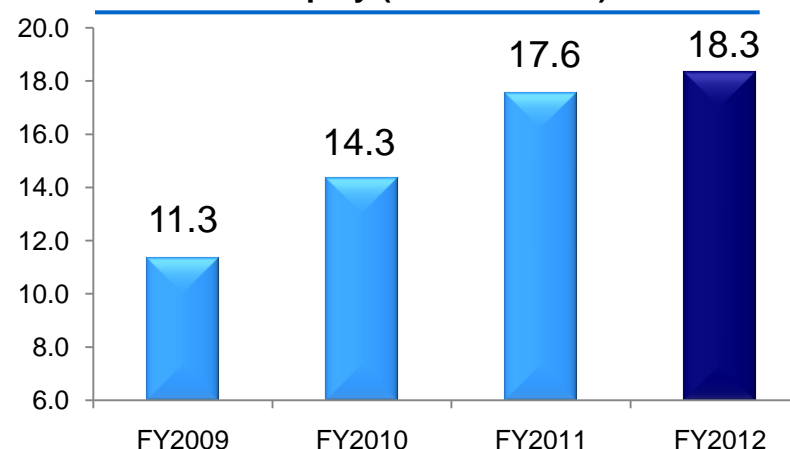
- ❑ 17.3% Y-o-Y growth over FY2011 to RM479.8 mil.
- ❑ 26.7% growth over 4th Quarter FY2011.
- ❑ Earnings per share rose to 31.5 sen in FY2012, compared with 26.7 sen, a year ago.

42.3% of Net Profits declared as Dividends – Payout Ratio on the rise

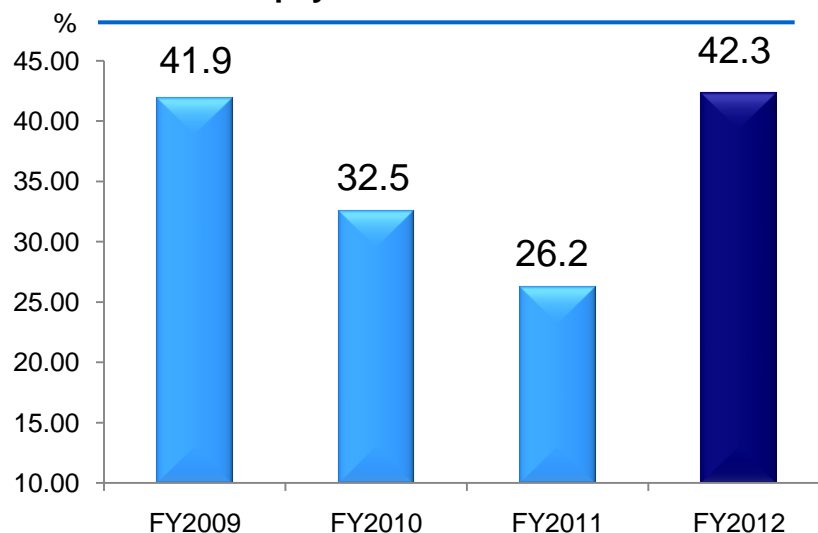
% Return on Equity (Net Profit After Tax)



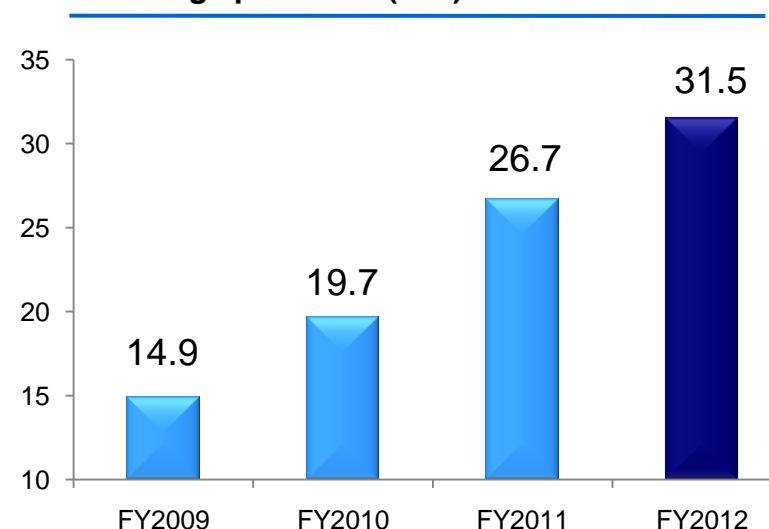
% Return on Equity (Pre-Tax Profit)



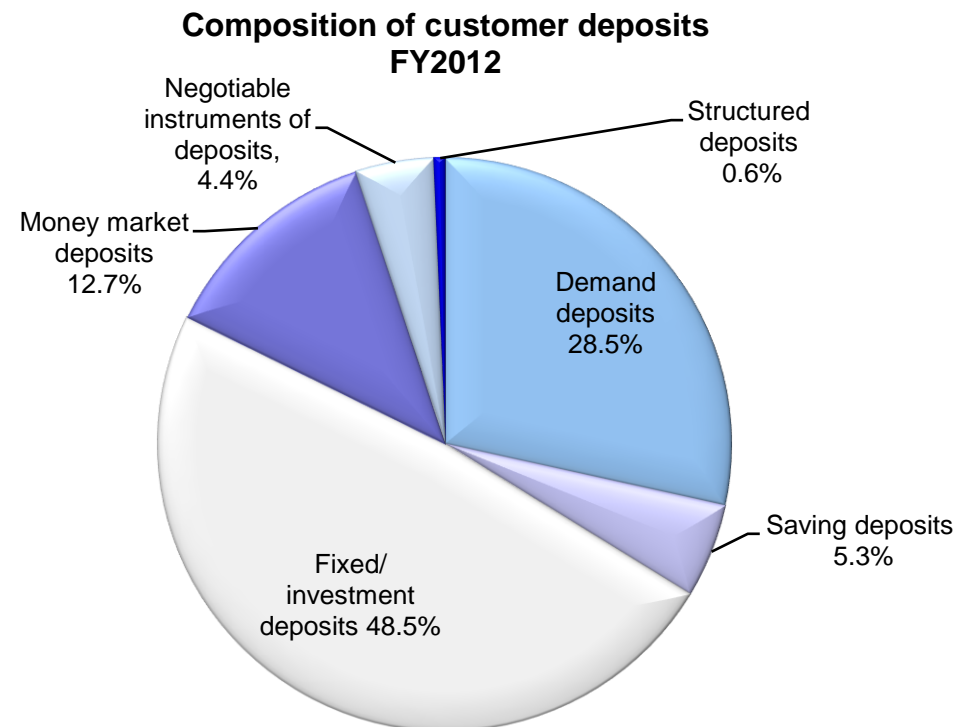
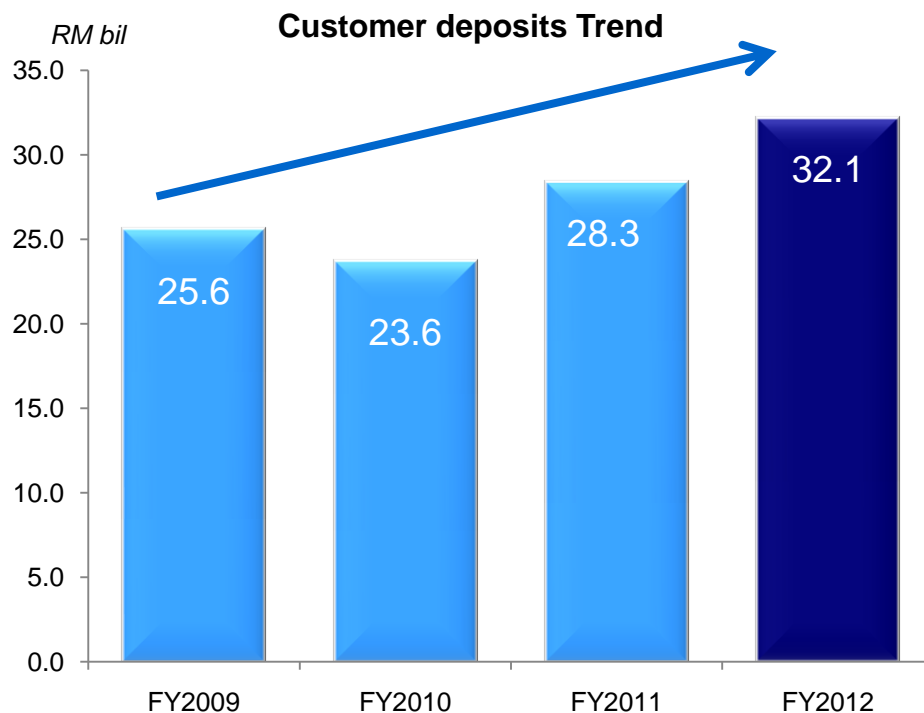
% Dividend payout ratio



Earnings per share (sen)



13.4% Growth in Customer Deposits, with CASA ratio at 33.8%

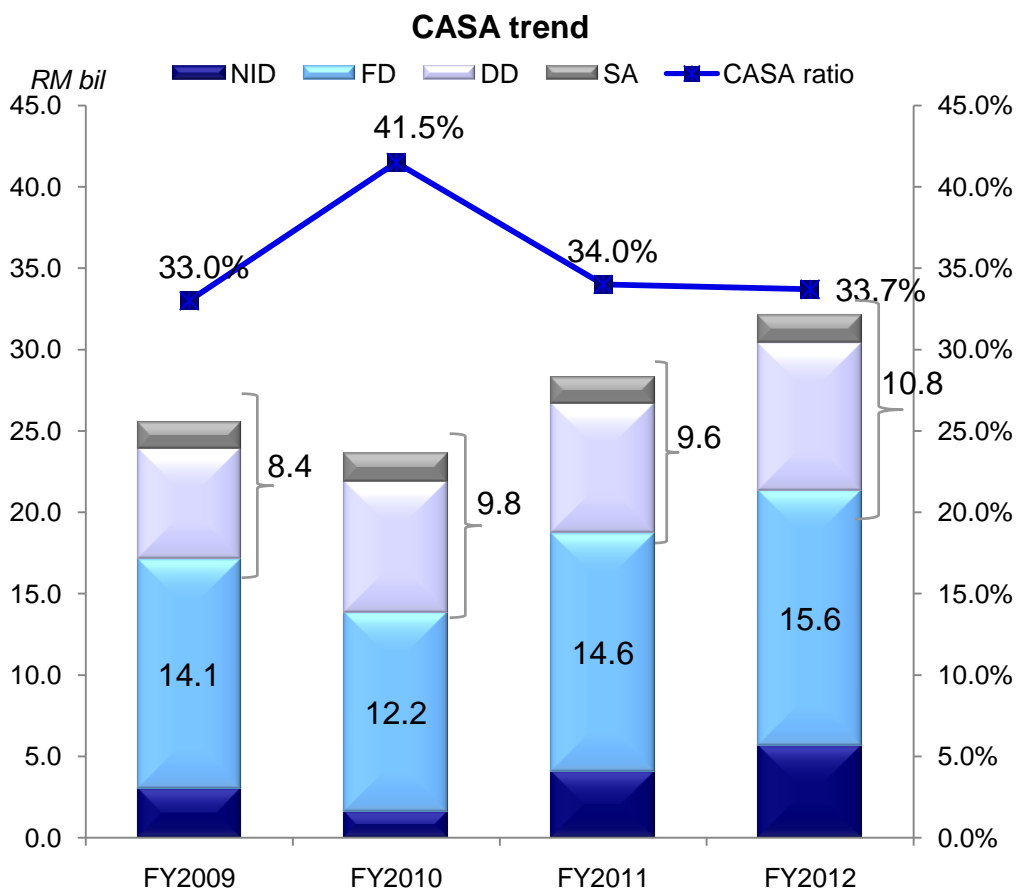


FY2012 growth
+ **RM3.8 bil**
+ **13.4%**

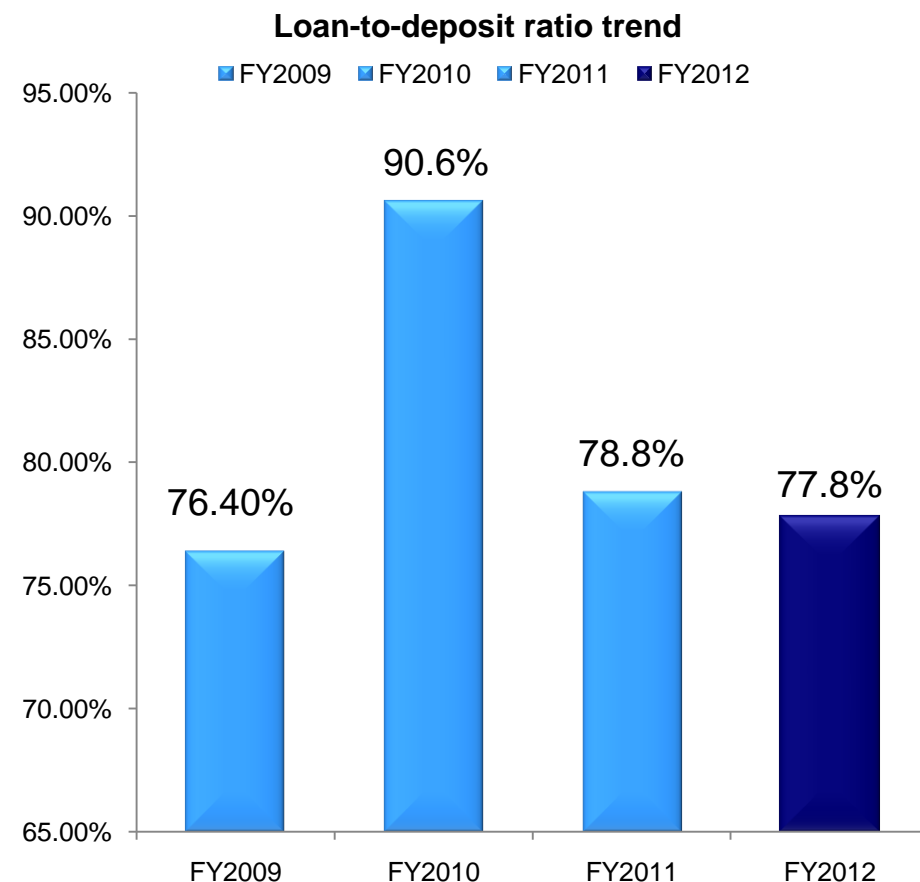
FY2011 growth
+ **RM4.7 bil**
+ **19.9%**

- ❑ Deposit growth of RM3.8 billion or 13.4%.
- ❑ Fixed deposits at RM15.6 billion, accounted for 48.5% of total deposits.

Liquidity remains strong, with CASA ratio at 33.7% , and Loan-to-deposit ratio at 77.8%



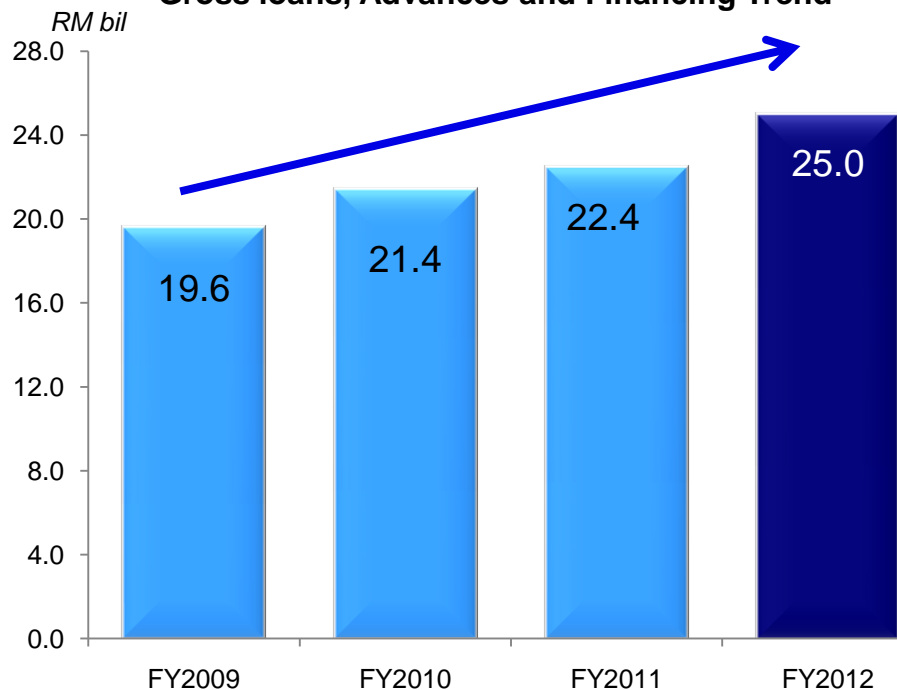
- Demand deposits and saving deposit increased by 12.5% to RM10.8 bil in FY2012.
- Fixed deposits increased by 7.0%.



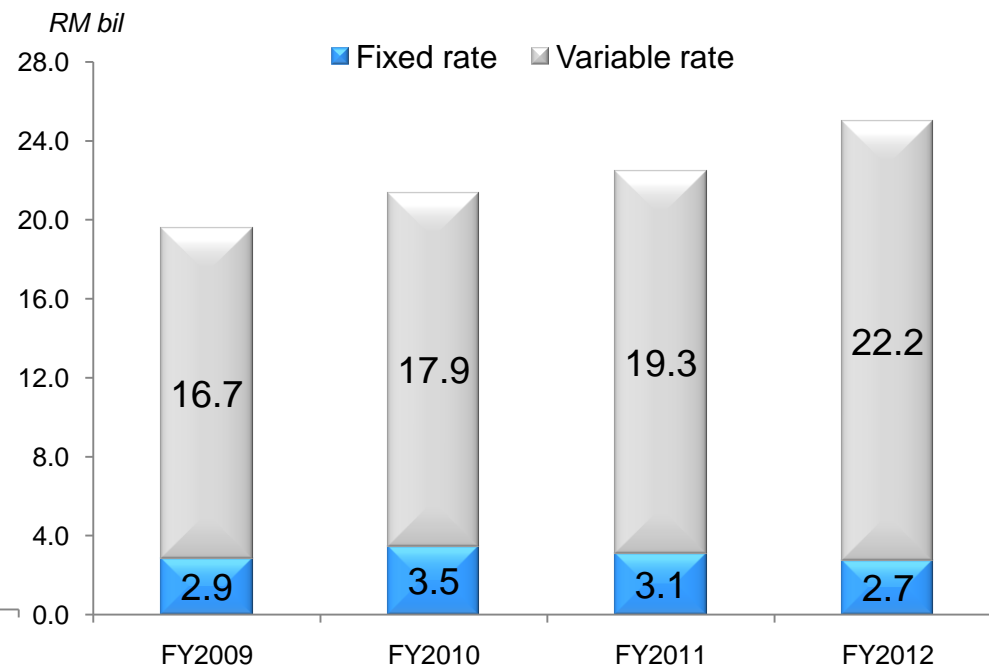
- Loan to deposit ratio remained healthy at 77.8% (FY2012).
- Deposits growth momentum maintained with growth at 13.4%

Loans growth momentum has accelerated to 11.3%, highest growth rate in recent years

Gross loans, Advances and Financing Trend



Gross loans composition



**FY2012 growth
+ RM2.5 mil
+ 11.3%**

**FY2011 growth
+ RM1.0 mil
+ 4.8%**

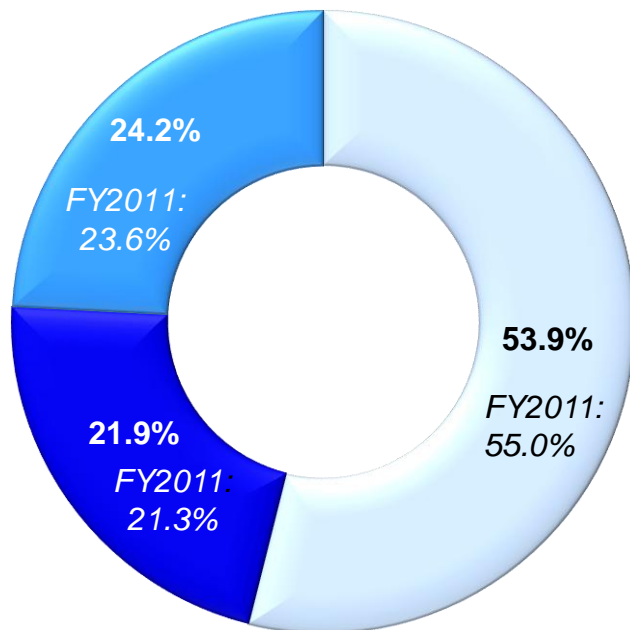
- ❑ Gross loans, including Islamic financing, recorded a healthy double-digit growth of 11.3% to RM25.0 bil.
- ❑ Variable rate loan account for 89.0% of total gross loans.

Diversified Loans Portfolio – 54% Consumer & 22% from SME

Composition of loans by business segments

FY2012

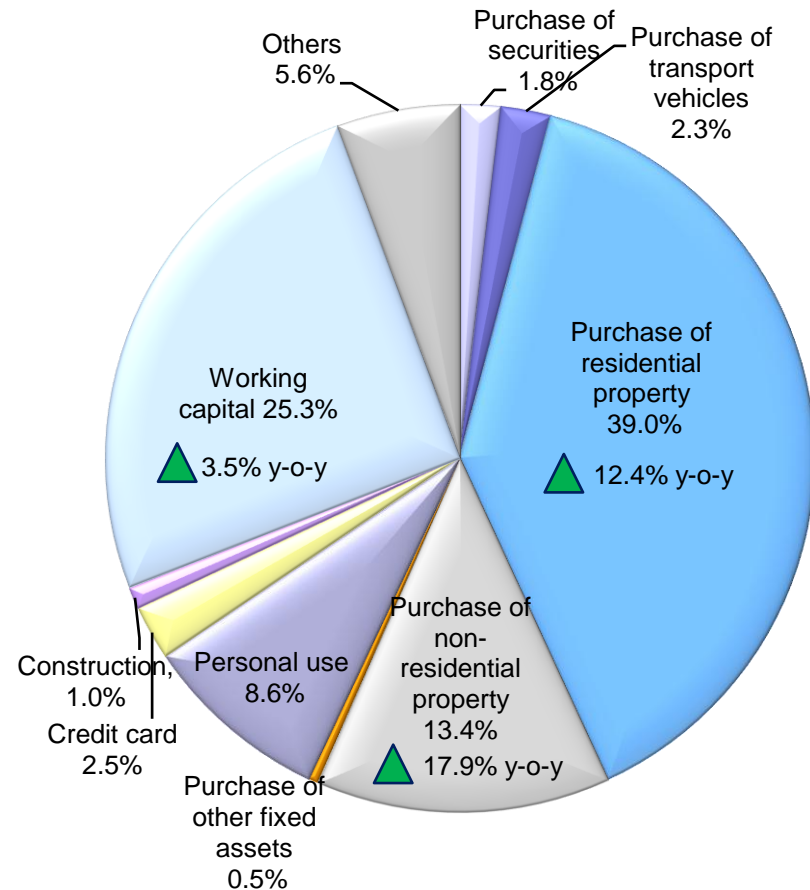
Consumer SME Wholesale



- 11.3% growth in gross loans.
- Consumer Banking accounts for 53.9% of total gross loans.

Composition of loans by economic purposes

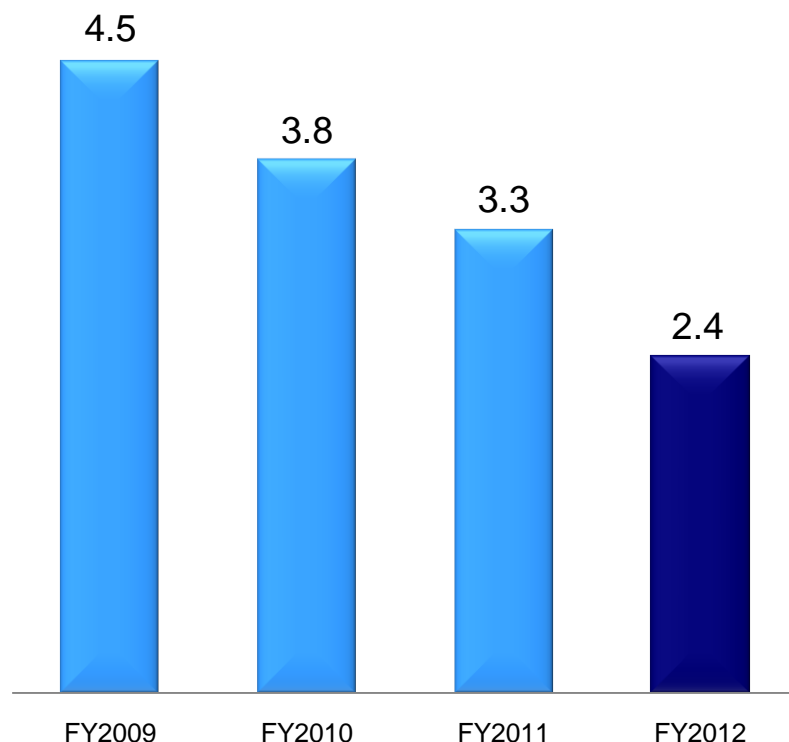
FY2012



- Housing loans account for 39.0% of total loans.
- Housing loans expanded by RM1.1 billion or 12.4%.

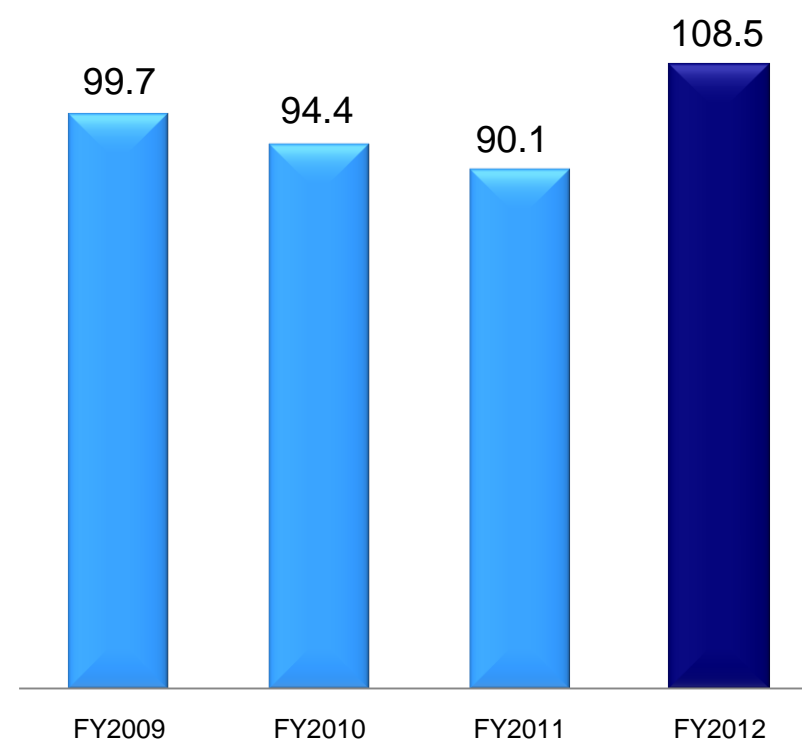
Asset quality continues to improve with disciplined approach in credit risk management and collection processes

Gross impaired loans ratio (%)



- Gross impaired loans ratio had improved to 2.4% in FY2012, from 3.3% in FY2011.

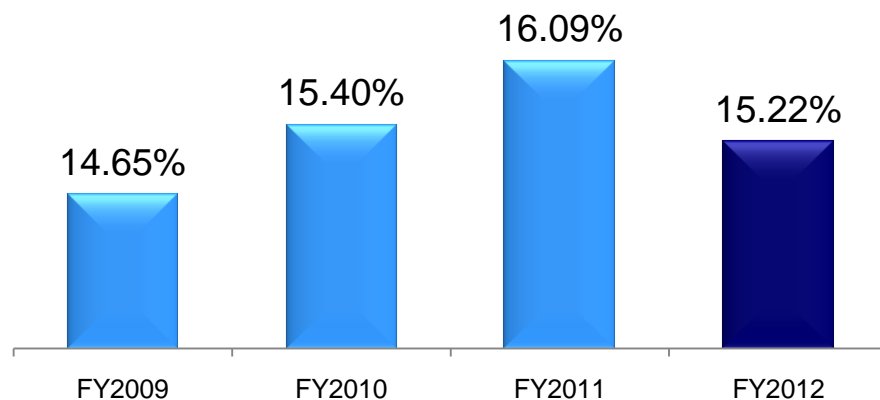
Loan loss coverage (%)



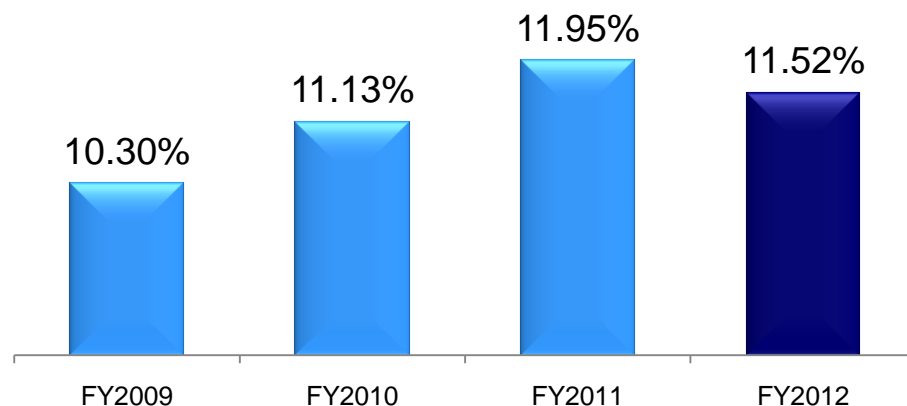
- The loan loss coverage had risen to 108.5% in line with loan growth.
- The Group has set aside collective provisions under BNM's transitional provision for FRS139 adoption.

Capital ratios remained strong to meet Basel III requirements

Risk Weighted Capital Ratio



Core Capital Ratio



Capital Adequacy by Legal Entities

Legal Entities	Core Capital	RWCR
ABMB	13.32%	13.76%
AIS	11.52%	13.36%
AIBB	56.65%	57.13%

- ❑ Group RWCR at 15.22% with Core Capital Ratio at 11.52%.
- ❑ RWCR ratios also in compliance with Basel III requirements.
- ❑ Presently, only RM597.8 mil of capital is from Subordinated Bonds.

THANK YOU

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