



**ALLIANCE FINANCIAL
GROUP BERHAD** (6627-X)

Banking Made Personal

INVESTOR PRESENTATION

1st Half FY2013 Results

21 November 2012



Contents

1

Executive Summary

2

Financial Results for First Half FY2013

**Our Business Model remains unchanged:
“To Build Consistent and Sustainable Financial Performance”**

Line of Business

**Consumer
Banking**

**Business
Banking**

**Financial
Markets**

**Investment
Banking**

**Transaction & Alternate
Banking**

**Islamic
Banking**

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
- Stock broking

**New Growth
Opportunities**

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

		FY2011*	1HFY2013
Asset Quality	... gross impaired loans to be better than industry average	3.3%	2.3%
Non-Interest Income Ratio	... to increase non-interest income to 30% of total revenue	20.8%	27.2%
Cost to Income Ratio	... move to industry average (45% - 48%) through: <ul style="list-style-type: none"> targeted revenue growth improved productivity 	48.3%	47.9%
Return on Equity	... achieve industry average (14% - 16%) through: <ul style="list-style-type: none"> focus on underlying earnings momentum effective capital management 	13.0%	13.7%
Dividend Policy	... pay up to 50% of net profits after tax, subject to regulatory approvals and strong capital ratios	26.2%	40.4% *FY12

*Note * Figures have not been restated for MFRS139*

Performance Overview: Sustainable Profit Growth

	1HFY13	1HFY12 (Restated)	Change	Q2FY13	Q1FY13
Profitability/ Efficiency Ratio					
Net Profit After Tax	RM266.5 m	RM254.3 m	+4.8%	RM141.9 m	RM124.6 m
Earnings Per Share	17.5 sen	16.6 sen	0.9 sen	9.3 sen	8.2 sen
Net Assets per Share	RM2.52	RM2.37	15 sen	RM2.52	RM2.51
Return on Equity	13.7%	14.3%	-0.6%	13.7%	13.0%
Return on Assets	1.3%	1.3%	-	1.3%	1.2%
Non-Interest Income Ratio	27.2%	25.6%	+1.6%	27.0%	27.3%
Cost-to-Income Ratio	47.9%	46.3%	+1.6%	45.5%	50.5%

Note: Restated for MFRS, where applicable

- **Improved net interest income due to loans growth**
- **Sustainable growth in non-interest income, including treasury income**
- **Cost to income ratio improving. Continued investments in technology to build capacity for future growth**

Strong Loans Growth at 13.6%, Improved Asset Quality, CASA at 34.5% and Healthy Capital Ratios

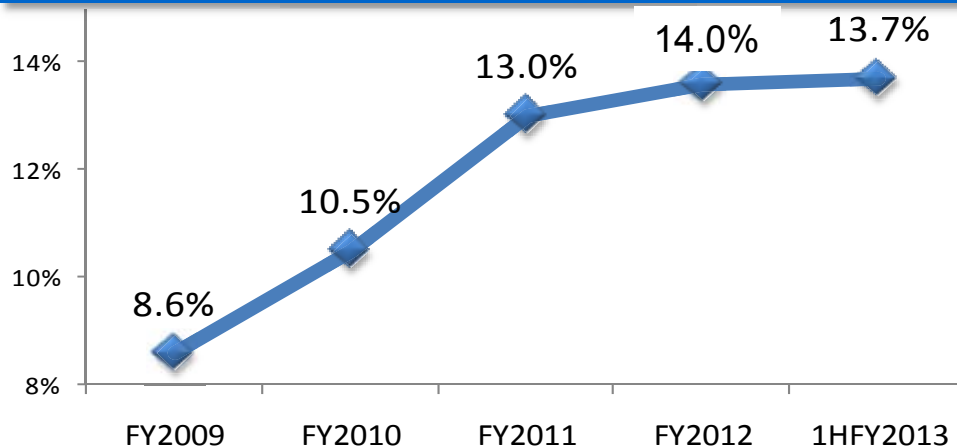
	1HFY13	1HFY12 (Restated)	Change	Q2FY13	Q1FY13
Balance Sheet & Asset Quality					
Net Loans Growth (y-o-y)	13.6%	8.6%	+5.0%	13.6%	14.2%
Gross Impaired Loans Ratio	2.3%	2.7%	-0.4%	2.3%	2.4%
Net Impaired Loans Ratio	1.2%	1.5%	-0.3%	1.2%	1.3%
Loan Loss Coverage Ratio	86.4%	88.5%	-2.1%	86.4%	86.6%
Liquidity & Capital Ratio					
CASA Ratio	34.5%	34.8%	-0.3%	34.5%	35.6%
Loan to Deposit Ratio	82.8%	77.4%	+5.4%	82.8%	81.8%
Risk Weighted Capital Ratio	15.18%	15.83%	- 0.65%	15.18%	14.7%
Core Capital Ratio	12.08%	11.99%	+ 0.09%	12.08%	11.6%

Note: Restated for MFRS, where applicable

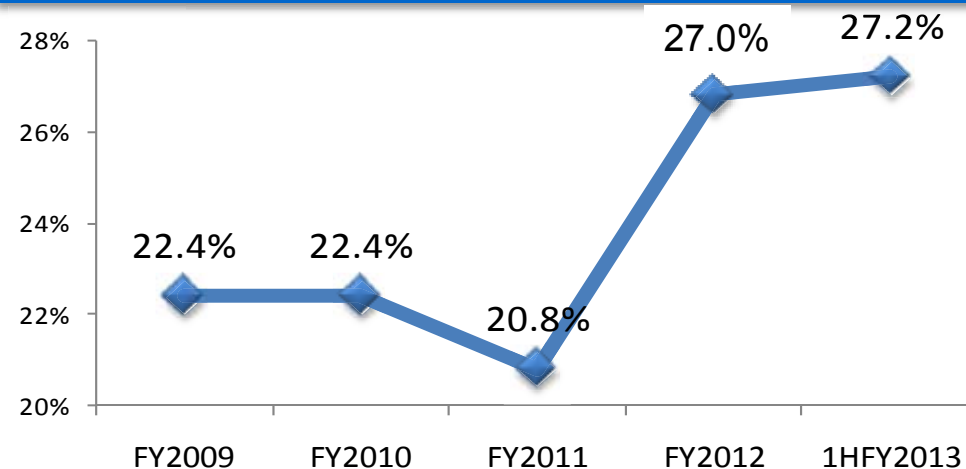
- **13.6% loans growth - targeting profitable consumer and SME segments**
- **Improving asset quality with proactive & disciplined credit risk management**
- **Maintained strong CASA ratio at 34.5%**
- **Raised loans to deposits ratio to 82.8% for efficient balance sheet management**
- **Capital ratios well positioned for Basel 3 and balance sheet expansion**

Improving Financial Performance, with Key Metrics in the Right Direction

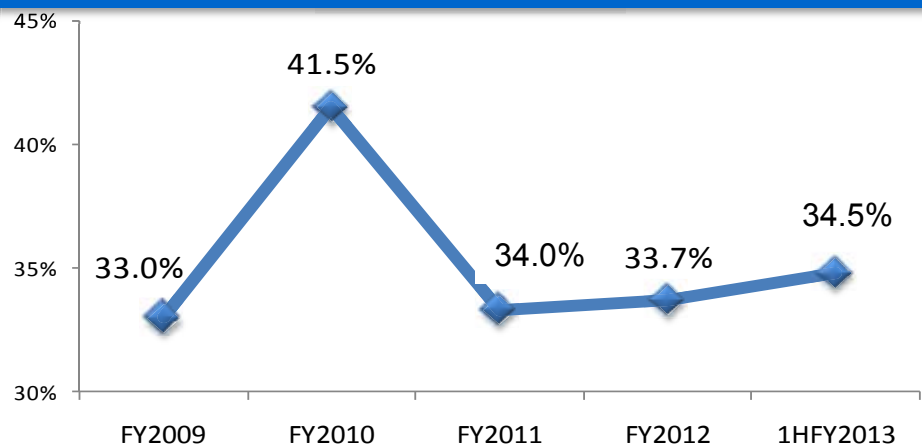
Return on Equity



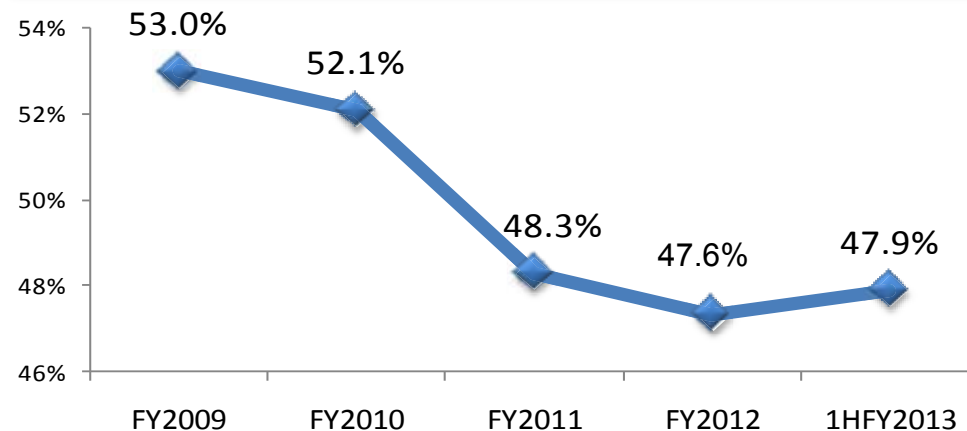
Non-Interest Income Ratio



CASA Ratio



Cost-to-Income Ratio



FY2012 restated for MFRS139

1H FY2013: Building Base for Recurring Growth in FY2014

	1HFY13 RM mil	1HFY12 RM mil	Change		2QFY13	1QFY13	
			RM mil	%			
Net Interest & Islamic Banking Income	489.0	468.0	21.0	+4.5%	252.0	237.0	↑
Non-Interest Income	169.3	152.3	17.0	+11.2%	86.9	82.4	↑
Net Income	658.3	620.2	38.1	+6.1%	339.0	319.3	↑
Operating Expenses	315.4	287.1	28.3	+9.9%	154.3	161.1	↓
Operating Profit	342.9	333.1	9.8	+2.9%	184.7	158.2	↑
Write-back of loans and impairment provisions	16.3	8.7	7.6	+86.5%	7.0	9.3	↓
Pre-tax profit*	357.1	341.0	16.1	+4.7%	190.8	166.4	↑
Net Profit After Taxation	266.5	254.3	12.2	+4.8%	141.9	124.6	↑

Income

- Moderate growth in net interest income, Islamic banking and non-interest income

Expenses

- Drop in expenses, despite growth in business operations and loans

Impairment Provisions

- Net write back due to recoveries, despite strong loan growth

FY2013 Business Plans focus on:
Our Aspirations

**To Build
“Consistent &
Sustainable Financial
Performance”**

**To Deliver
“Superior Customer
Service Experience”**

**To Develop “Engaged
Employees with Right
Values”**

How?

**Generate recurring revenue
from existing/new
business, within our risk
appetite**

**Enhancing cost efficiency &
productivity**

**Building infrastructure to
support operational & execution
capabilities**

**Delivering excellent customer
service and experience**

**Reinforcing governance and
compliance oversight**

**Reinforcing the right values &
inculcating a performance
culture**

Implemented in FY2013

- Re-organised Business Banking for accelerated SME growth
- Re-commenced hire purchase business
- Centralise functions and improve processes via process re-engineering
- Upgraded internet banking platform
- Implemented new integrated MIS and finance infrastructure
- Formulating branch distribution strategy to provide seamless customer service across all customer touch points
- Enhancing risk management framework for ICAAP compliance
- Launched new vision, mission and core values
- Continue to build a strong performance culture, to retain and attract best talent

Launched our „NextGeneration’ Online Banking for Business – “BizSmart Online Banking”



**Imagine what you could do
if there were MORE OF YOU.**

New Name & Logo



Product Bundle

- Bundle of **New Online Banking, CASA, Business ATM Card and Business Credit Card**

Marketing Concept

- **“More of You” proposition** – efficiency so that the business owner can concentrate on growing their business

Small businesses can now have access to Cash Management Services

Contents

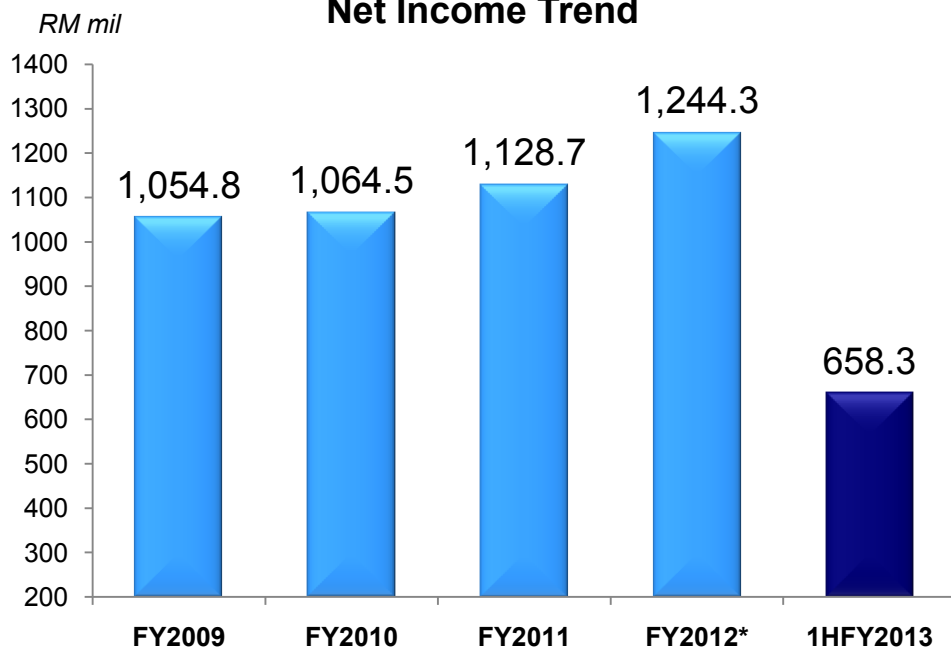
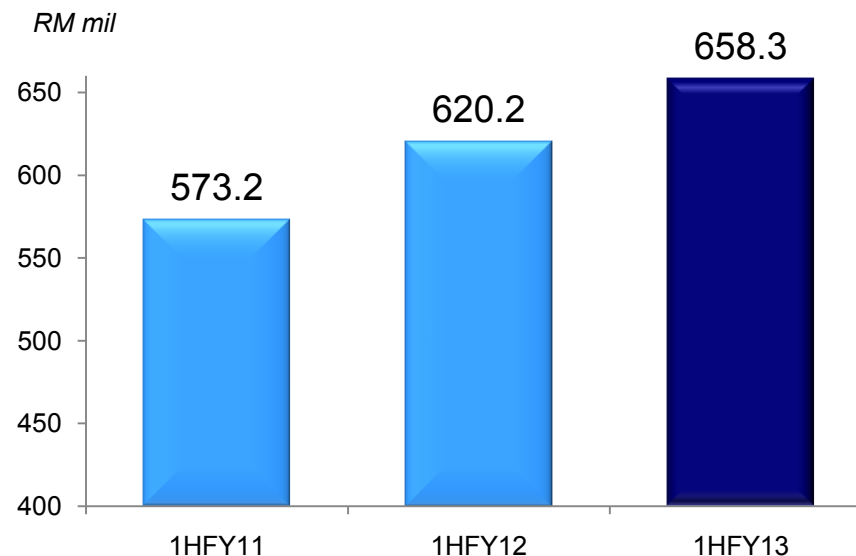
1

Executive Summary

2

Financial Results for First Half FY2013

Steady growth in net income driven by higher loans growth

Net Income Trend

Net Income


1HFY13 vs 1HFY12
+ **RM38.1 mil**
+ **6.1%**

1HFY12 vs 1HFY11
+ **RM47.0 mil**
+ **8.2%**

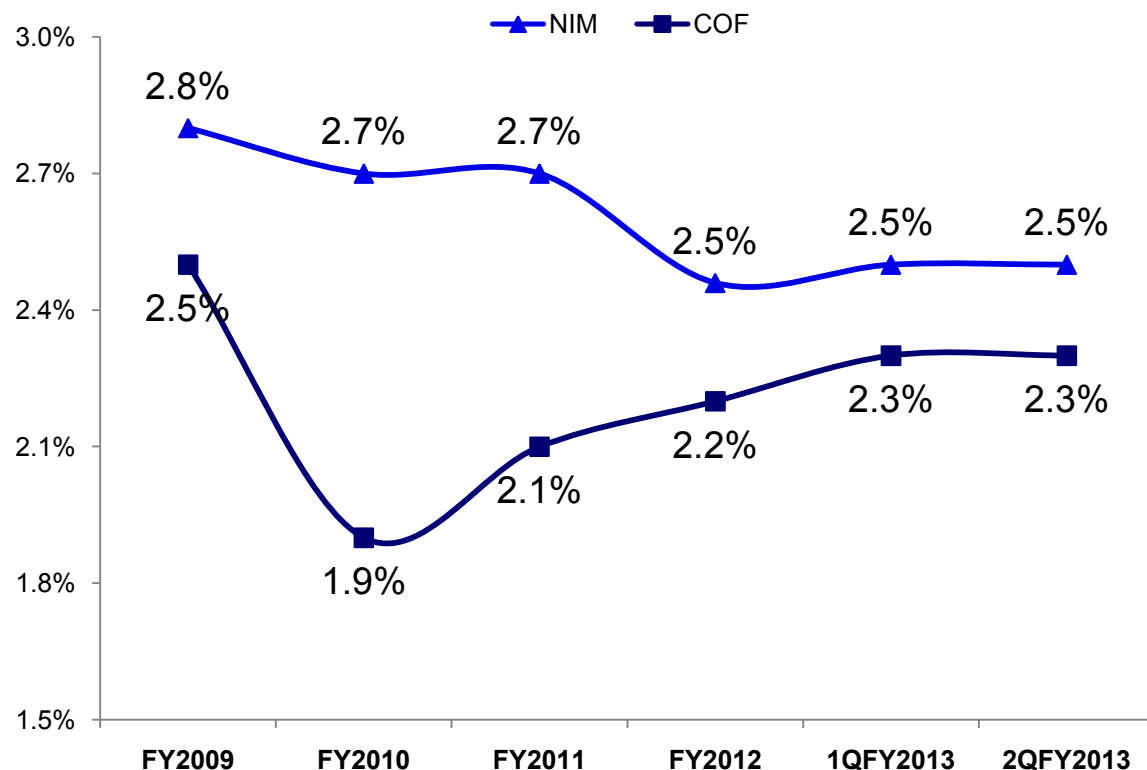
2QFY13 vs 2QFY12
+ **RM25.8 mil**
+ **8.2%**

2QFY13 vs 1QFY13
+ **RM19.6 mil**
+ **6.1%**

- Net income growth of RM38.1million or 6.1% driven by:
 - +RM53.8 million from 13.6% y-o-y loans growth
 - +RM17.0 million from non-interest income
 - Offset by +RM21.0 million increase in interest expense from expansion in deposits

Some contraction in interest margin but cushioned by strong CASA & rise in LD ratio

NIM and Cost of Funds Trend



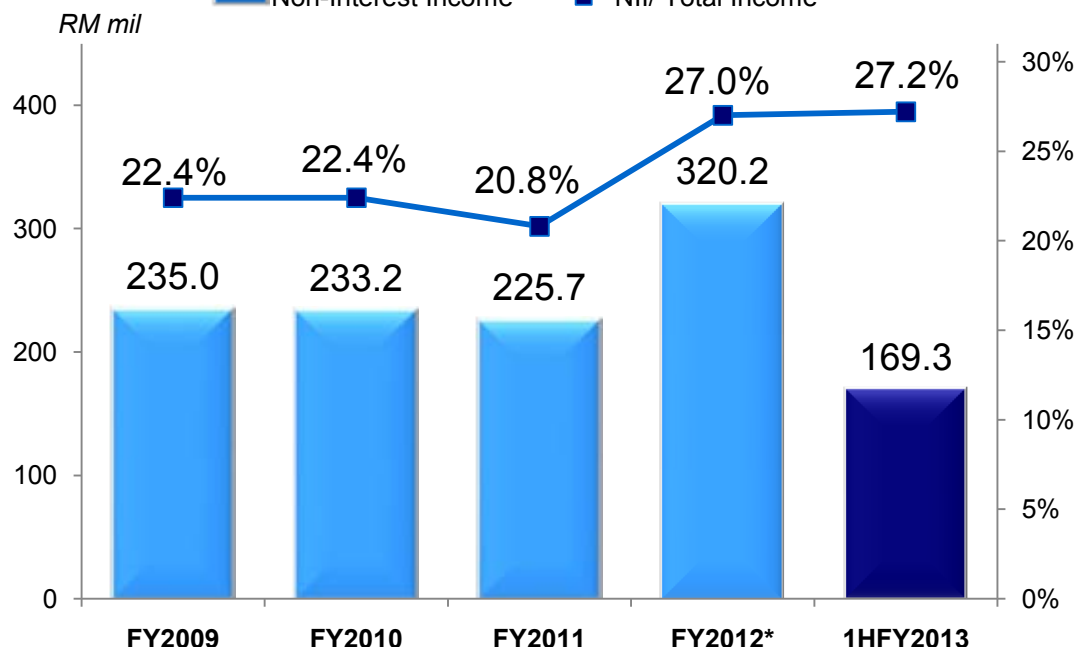
- YTD margin compression 8 bps due to:
 - New mortgage loans at lower yield
 - Run-off of high yielding Co-op loans
 - Price competition for loans and deposits
- Margin pressure partially offset by rise in loans to deposits ratio from 77.7% at March 2012 to 82.8% in September 2012

Effective	OPR	SRR
June 2010	2.50%	1%
July 2010	2.75%	1%
April 2011	2.75%	2%
May 2011	3.00%	3%
July 2011	3.00%	4%

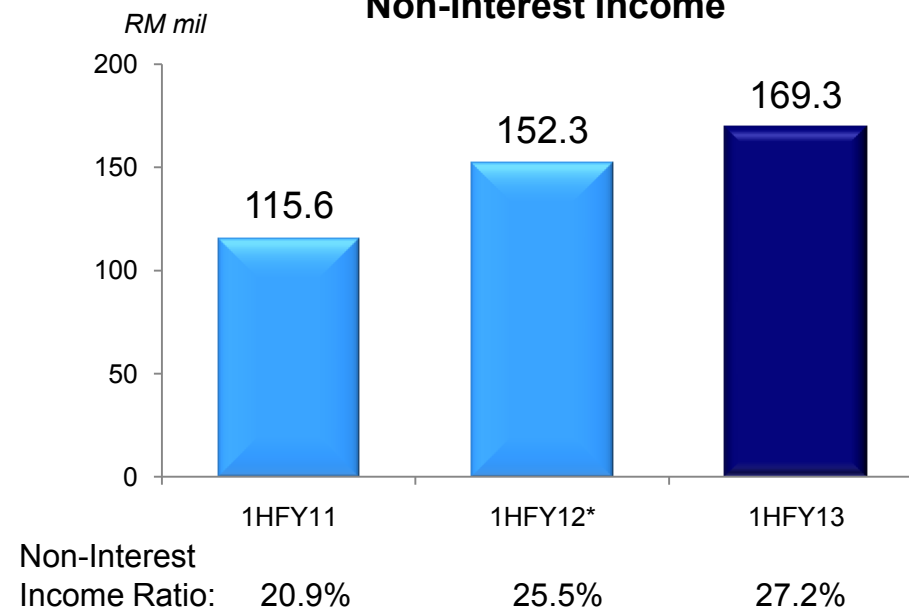
Non-Interest Income expanded by 11.2% Y-o-Y

Non-Interest Income Trend

— Non-Interest Income — Nil/ Total Income



Non-Interest Income



1HFY13 vs 1HFY12
+RM17.0 mil
+ 11.2%

1HFY12 vs 1HFY11
RM36.7 mil
+ 31.8%

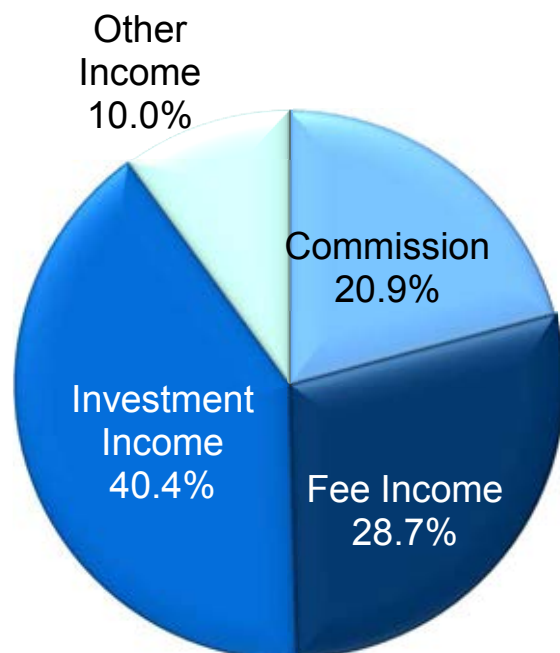
2QFY13 vs 2QFY12
+ RM13.9mil
+ 19.0%

2QFY13 vs 1QFY13
RM4.6 mil
+ 5.6%

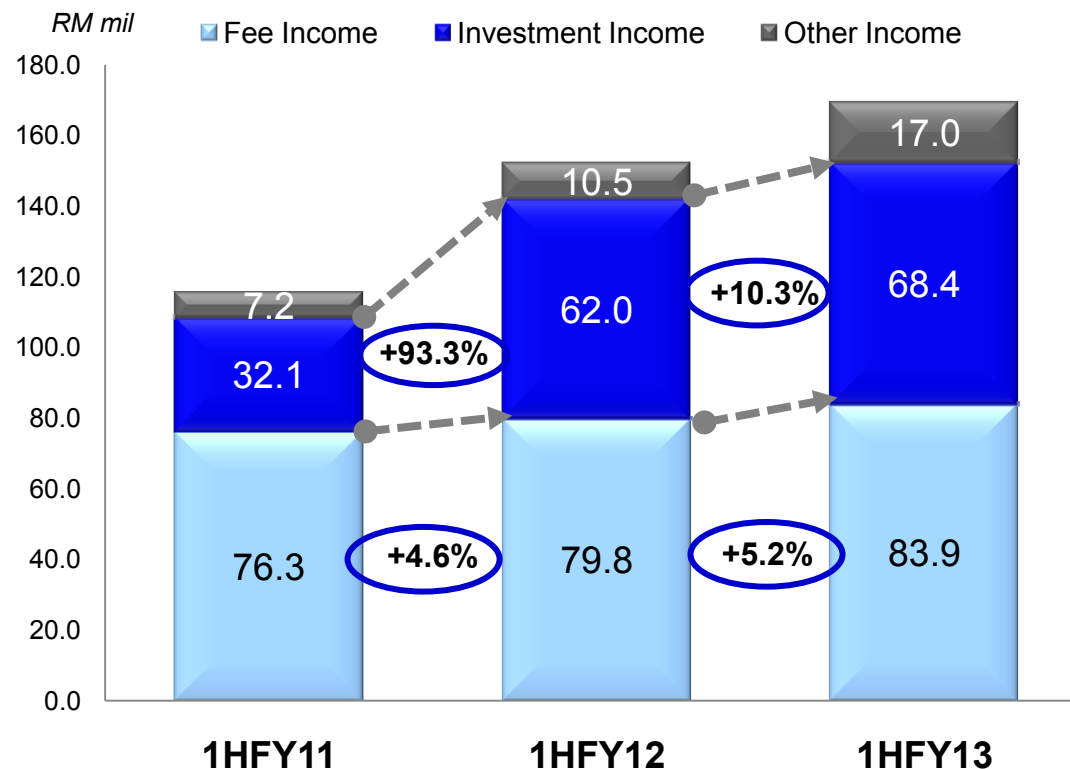
- ❑ Continuing to build recurring non-interest income from treasury sales, wealth management and trade finance
- ❑ 2QFY2013 included RM5.8 million from gain on sale of building (non-recurring)

Building Recurring Fee Income and Sustainable Investment Income

**Non-Interest Income
Composition (1HFY2013)**



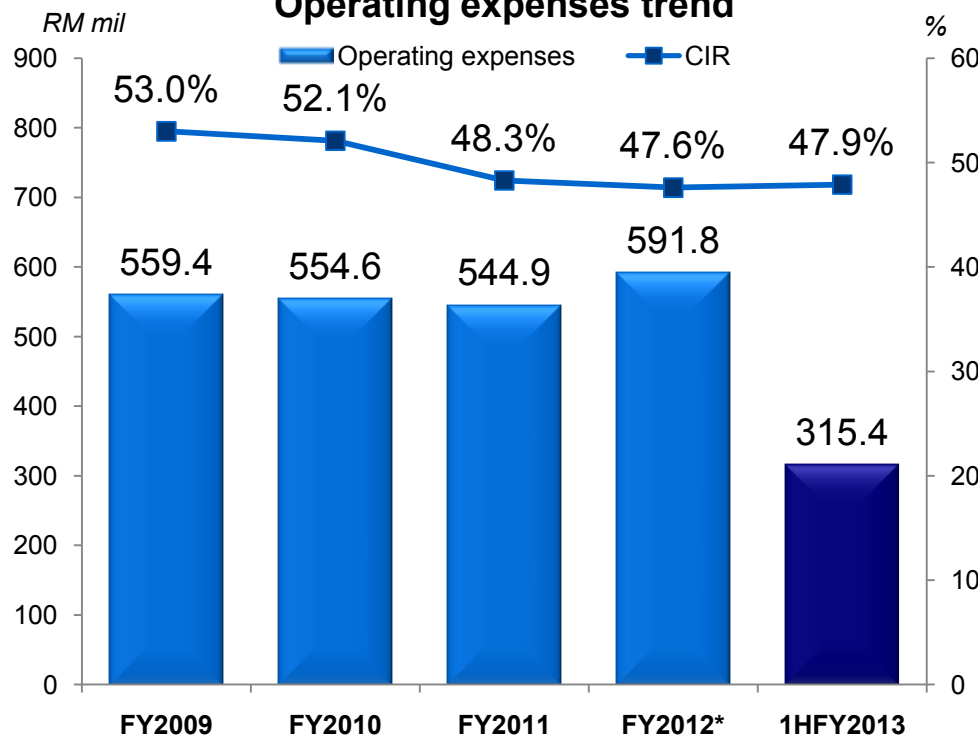
1HFY2013 Growth



- ❑ Growth from commissions from trade finance, treasury sales, wealth management and transaction banking
- ❑ Investment income growth moderated due to flatter yield curve. Investment securities mainly in Government securities

Cost-to-income ("CIR") dropped to 47.9% in 1HFY2013 from 50.5% in first quarter

Operating expenses trend



OPEX	1HFY13 RM mil	1HFY12 RM mil	Variance	
			RM mil	%
Personnel costs	207.1	182.0	25.2	13.8%
Establishment costs	73.2	72.0	1.2	1.6%
Marketing expenses	9.8	9.0	0.8	8.7%
Administration expenses	25.3	24.1	1.2	4.8%
Total	315.4	287.1	28.4	9.9%

1HFY13 vs 1HFY12
+ RM28.3 mil
+ 9.9%

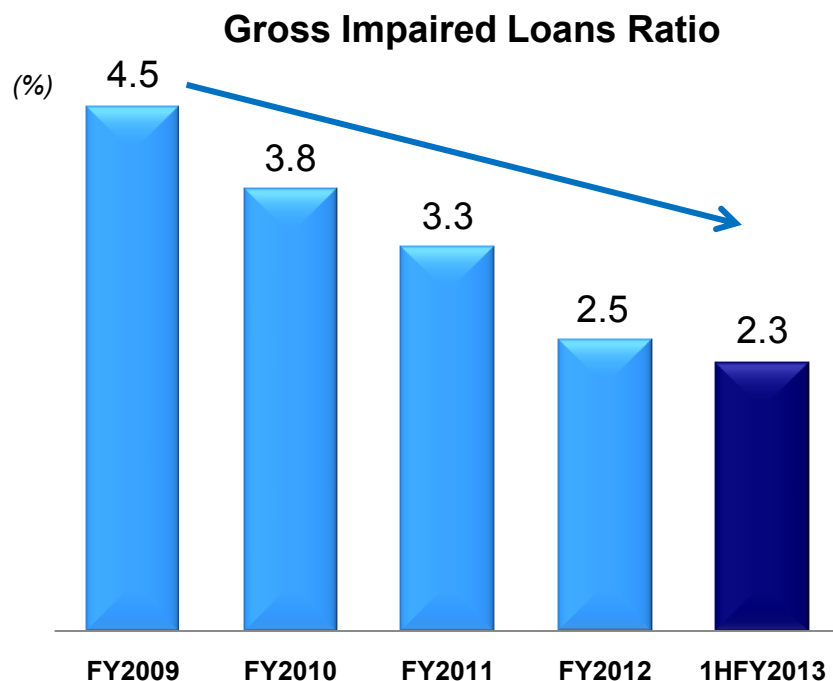
1HFY12 vs 1HFY11
+ RM25.9 mil
+ 9.9%

2QFY13 vs 2QFY12
+RM11.2 mil
+ 7.9%

2QFY13 vs 1QFY13
-RM6.9 mil
-4.3%

- Higher operating expenses as the Group continues to invest in human capital and IT infrastructure to support the business growth
- Personnel cost at 65.7% of the total remains the main operating cost
- Cost-to-income ratio dropped to 45.5% in 2nd quarter, down from 50.5% as at June 2012

Gross impaired loans ratio improved to 2.3%
Net impaired loans ratio improved to 1.2% from 1.8%

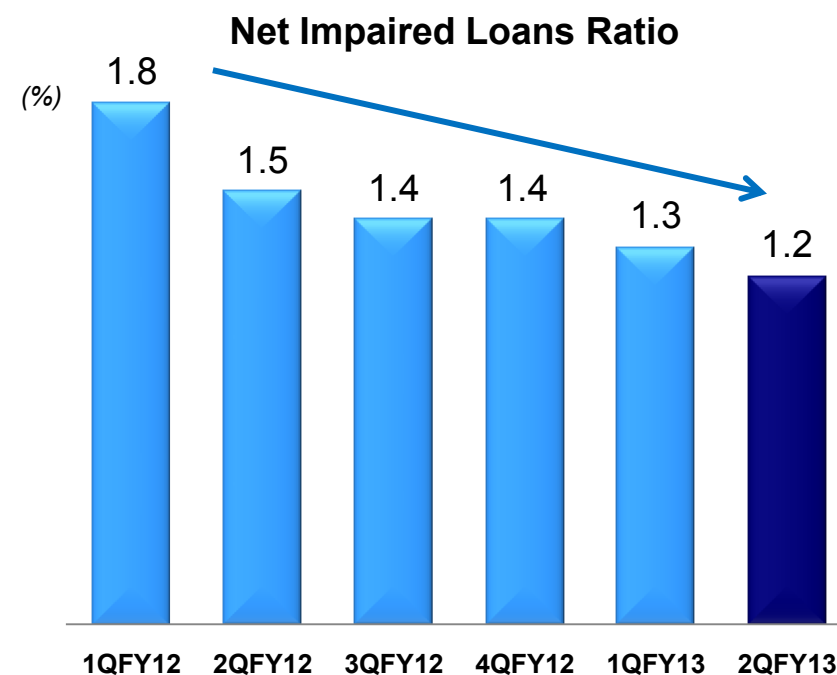


1HFY13 vs 1HFY12

- 0.4%

2QFY13 vs 1QFY13

- 0.1%



1HFY13 vs 1HFY12

- 0.3%

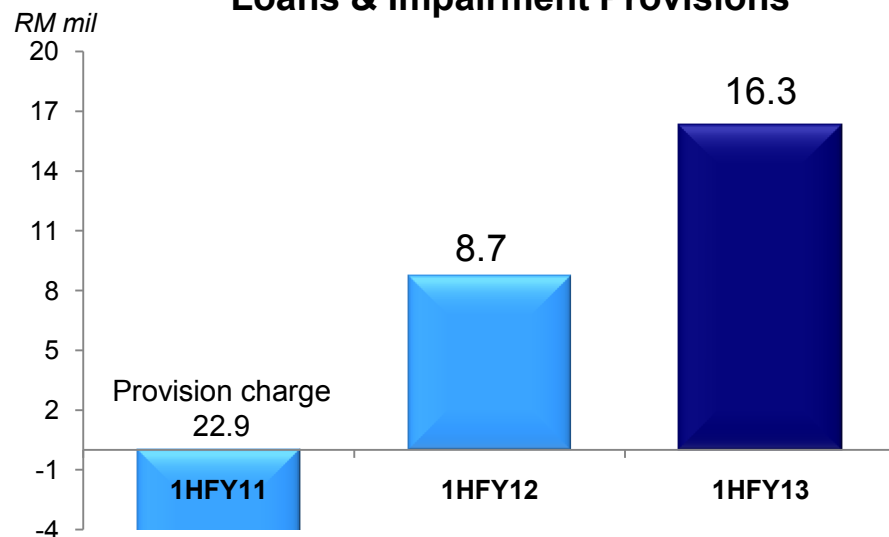
2QFY13 vs 1QFY13

- 0.1%

Despite challenging external environment, further improvement in asset quality with disciplined approach in credit risk management and collection processes

Improvement in Asset Quality – results in drop in impairment provision charge and Loan Loss Coverage required

MFRS 139: Net Write Back/(allowances) for Loans & Impairment Provisions

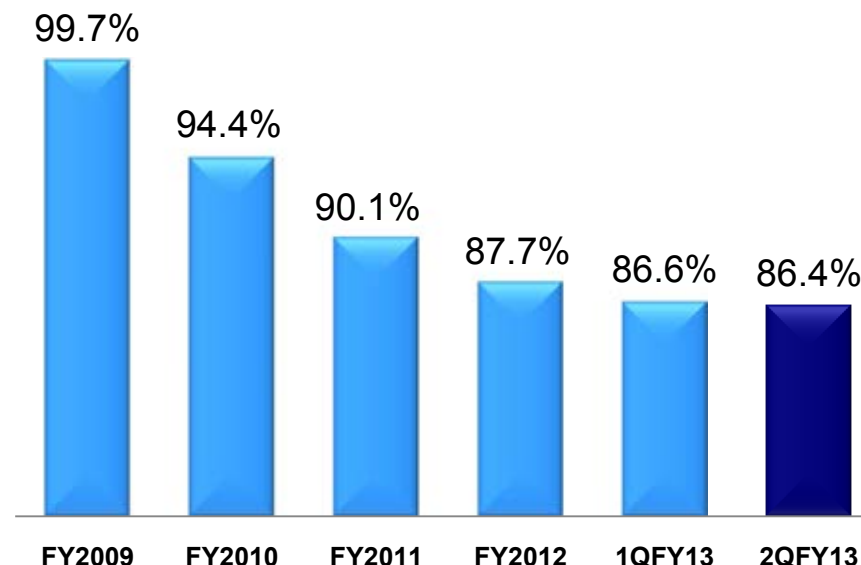


Note: CLO recoveries amounted to RM0.5 million in 1QFY13 (Nil in 2QFY13).

1HFY13 vs 1HFY12
+ RM7.6 mil
+86.5%

1HFY12 vs 1HFY11
+ RM31.0 mil
+ >100%

Loan Loss Coverage

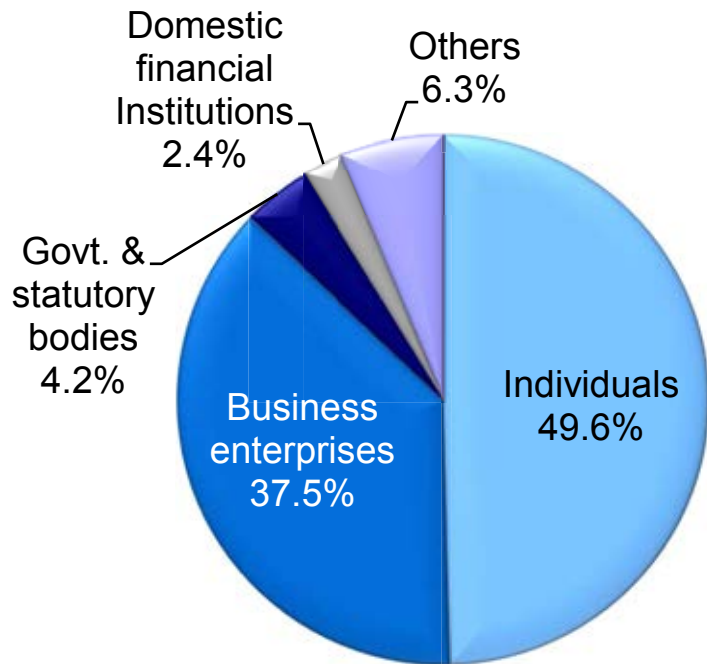


- ❑ 2QFY13 loan loss coverage ratio is computed based on the adoption of MFRS 139 Collective Assessment using PD & LGD model, replacing BNM's Transitional Provisioning of 1.5%
- ❑ Net write back of impairment provisions during quarter due to recoveries, despite setting aside additional collective provisions for loans growth

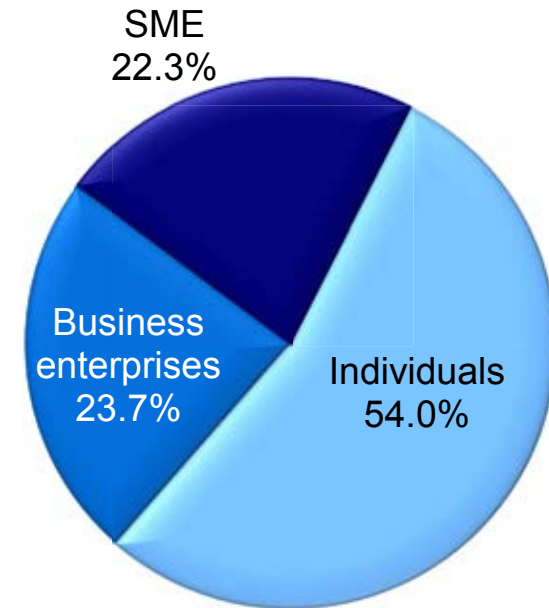
Funding and Lending: Clear niche in Consumer and SME Customer Segments

Individuals account for 49.6% of customer deposits, and 54% of loans portfolio.

Deposits Composition



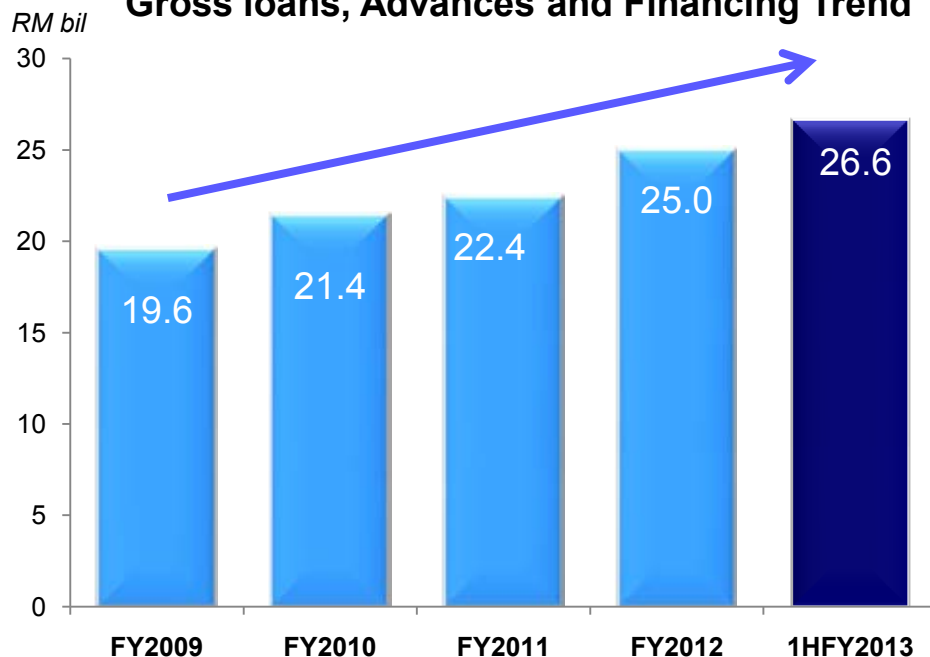
Loans Composition



Gross Loans growth momentum has accelerated to 13.2%

Balanced Loans Portfolio: 54.0% Consumer & 46.0% from Group Business Banking

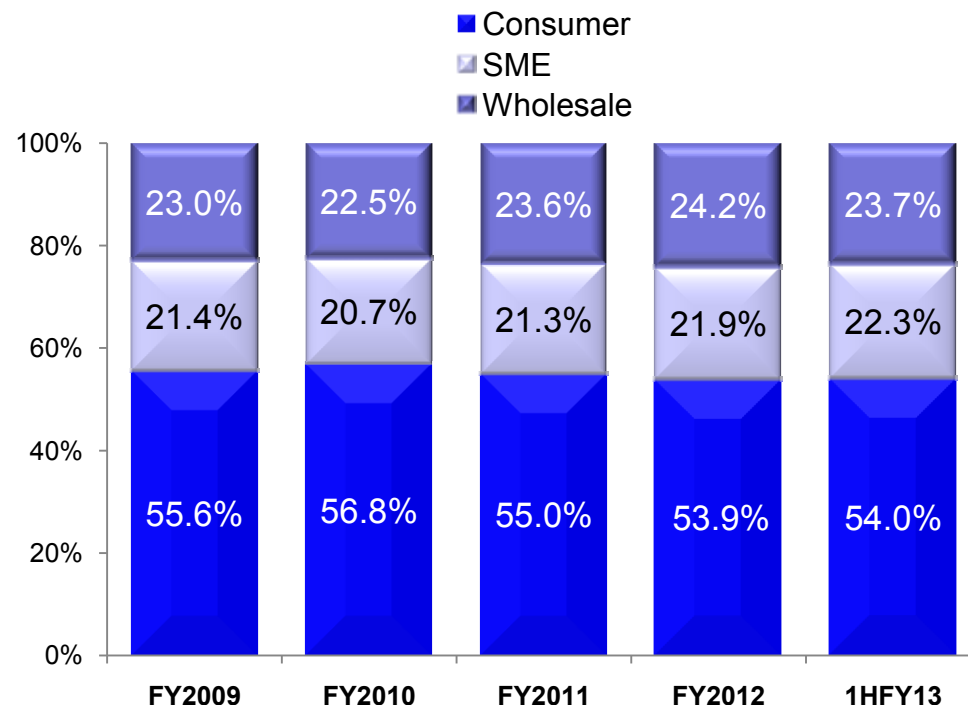
Gross loans, Advances and Financing Trend



1HFY13 vs 1HFY12
+ RM 3.1 bil
+ 13.2% y-o-y

1HFY12 vs 1HFY11
+ RM1.7 bil
+ 7.6% YTD

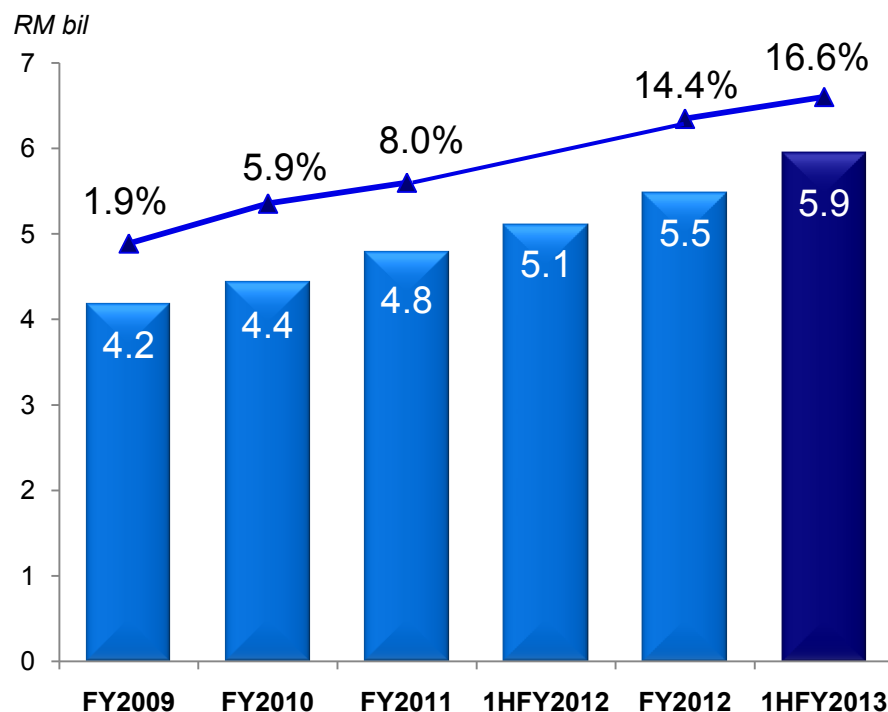
Loans Composition by Business Segments



- ❑ Medium term target portfolio : 50% Consumer; 50% Business Banking
- ❑ Consumer now at 54.0%, down from high 56.8% in FY10
- ❑ Minimal exposure to fixed rate lending – 10% of total portfolio

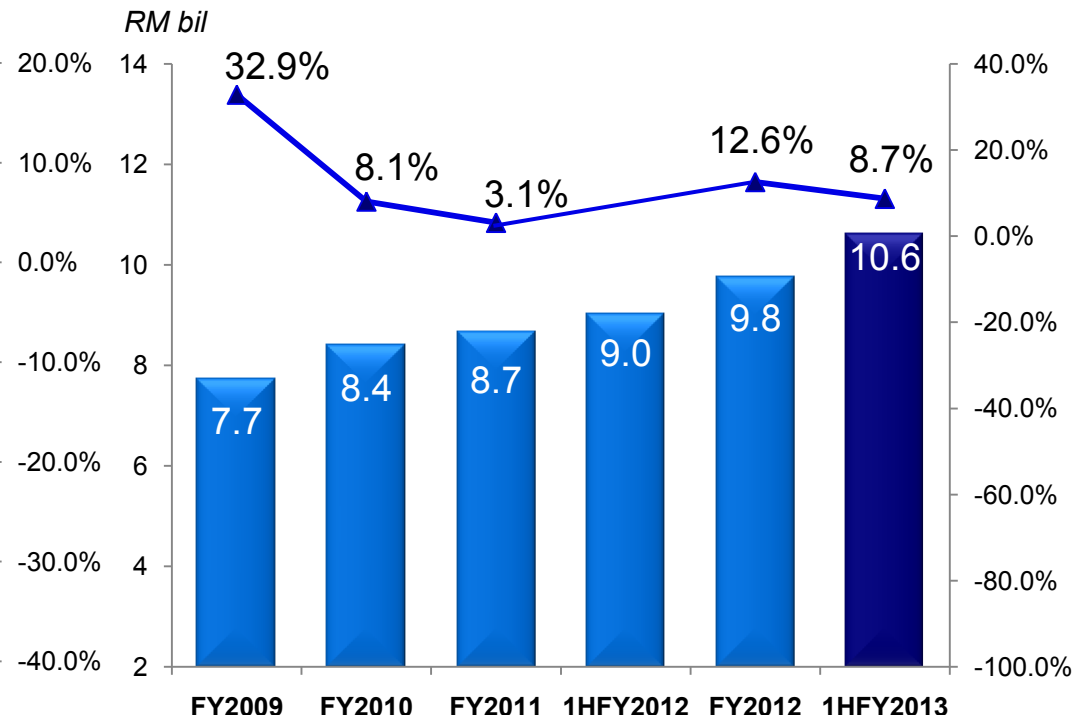
Both SME & Residential Properties registered above 17% Loans Growth

Loans Growth for SME

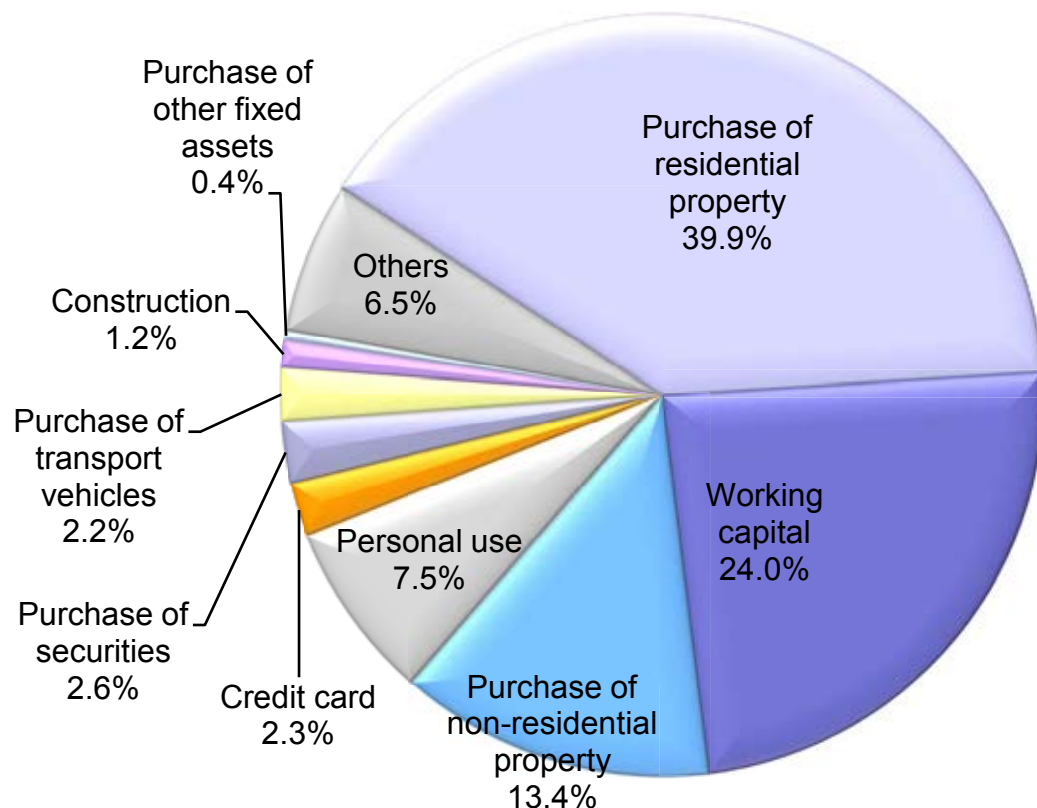


**1HFY13 vs 1HFY12
+RM 0.9 bil
+17.5%**

Loans Growth for Residential Property



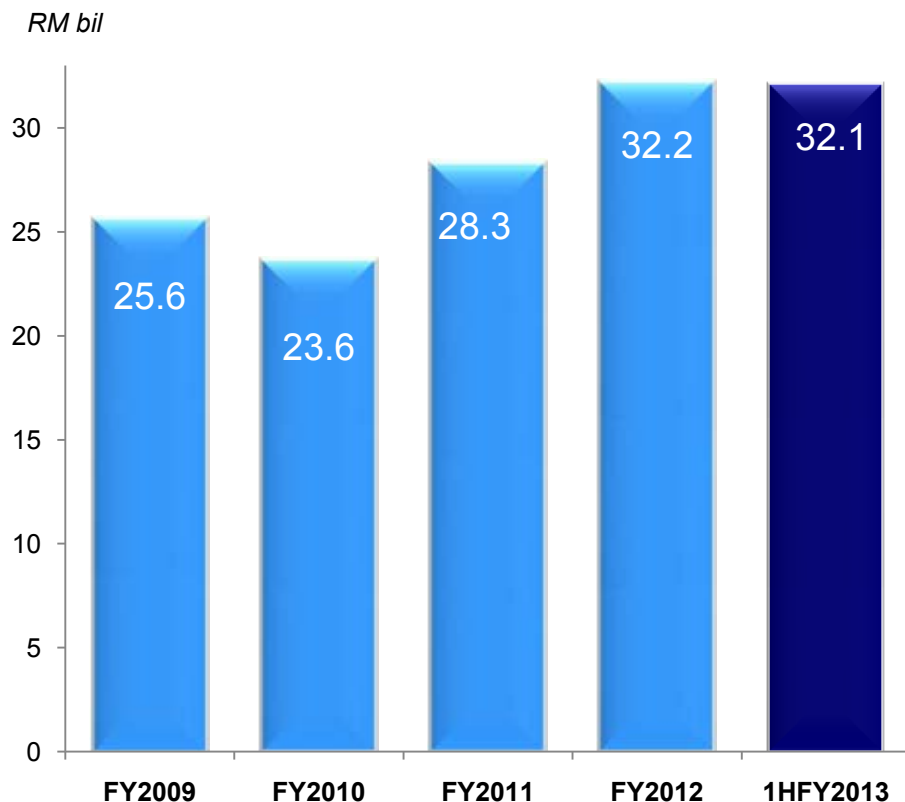
**1HFY13 vs 1HFY12
+RM 1.6 bil
+17.6%**

Well Diversified & Secured Loans Portfolio**Loans Composition by Economic Purposes**

- ❑ 39.9% of loans portfolio is for residential properties
- ❑ 13.4% for non-residential properties
- ❑ 24.0% for Working Capital financing
- ❑ Overall loans portfolio well collateralised
- ❑ Commenced growing hire purchase portfolio in April 2012, focusing on new car financing
- ❑ Hire Purchase: Positive growth YTD of RM26.9 million

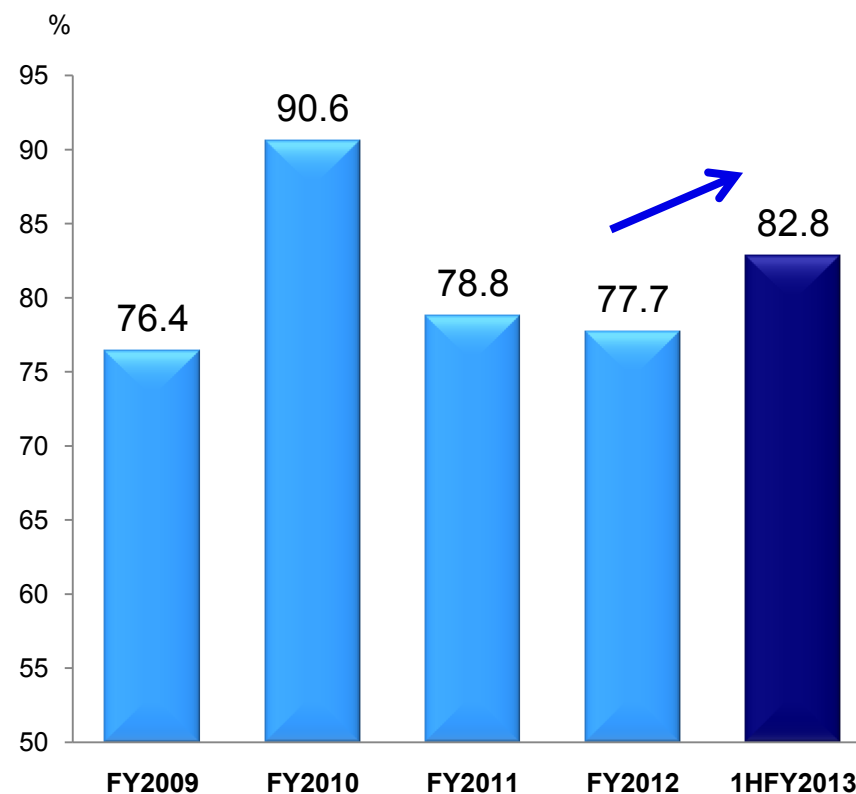
Loans to Deposits Ratio Raised to 82.8%. Target LD Ratio is 85% in Medium Term.

Customer Deposits Trend



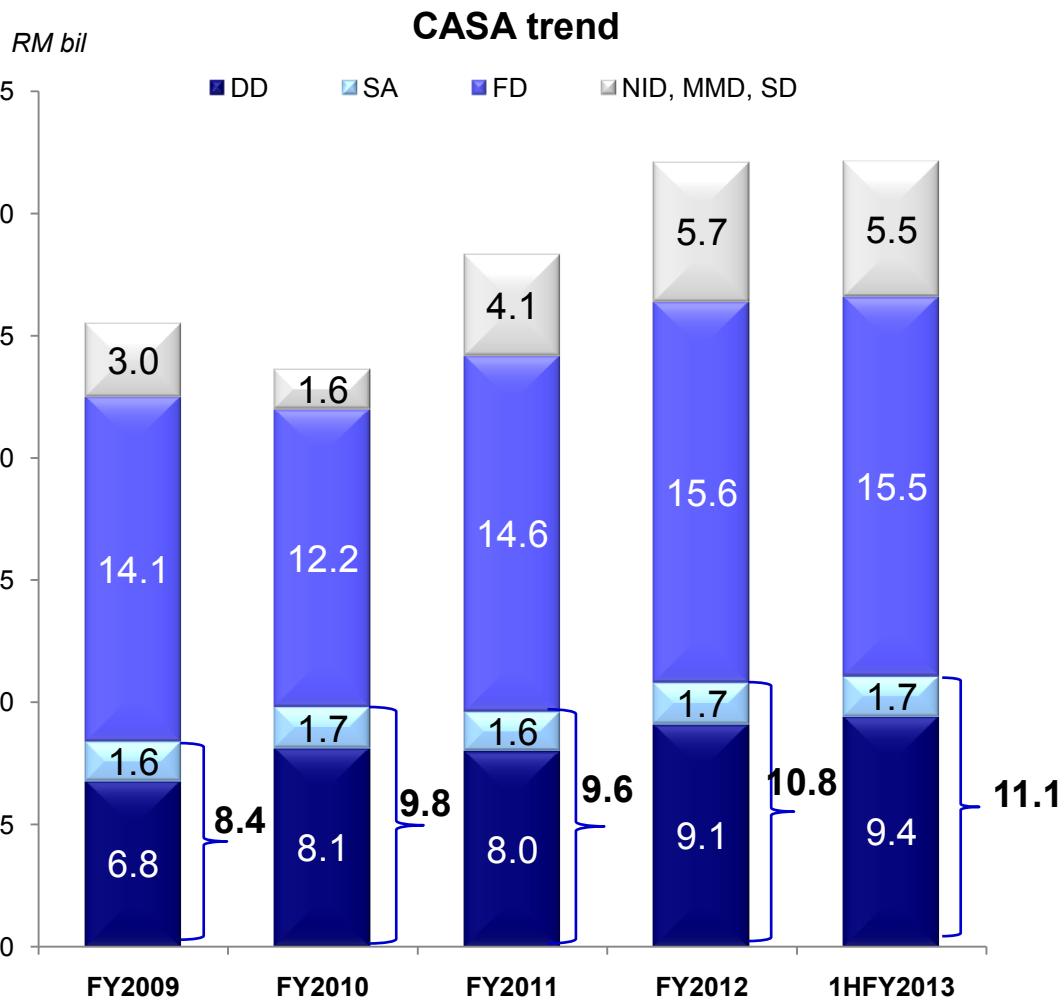
- ❑ Deposits growth of RM1.7 billion or 5.7% y-o-y
- ❑ Selective in raising cost efficient fixed deposits

Loans to Deposit Ratio Trend (%)



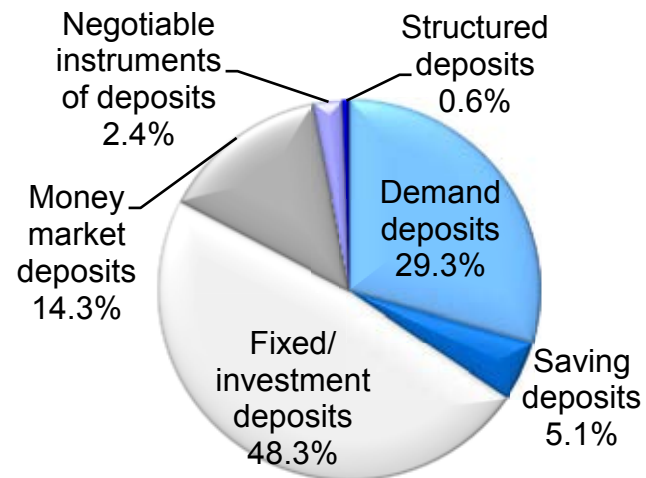
- ❑ Loans to deposit ratio (LD ratio) remained healthy at 82.8% in 1HFY13, well below industry average

Steady growth in CASA deposits to RM11.1 billion, accounts for 34.5% of total deposits

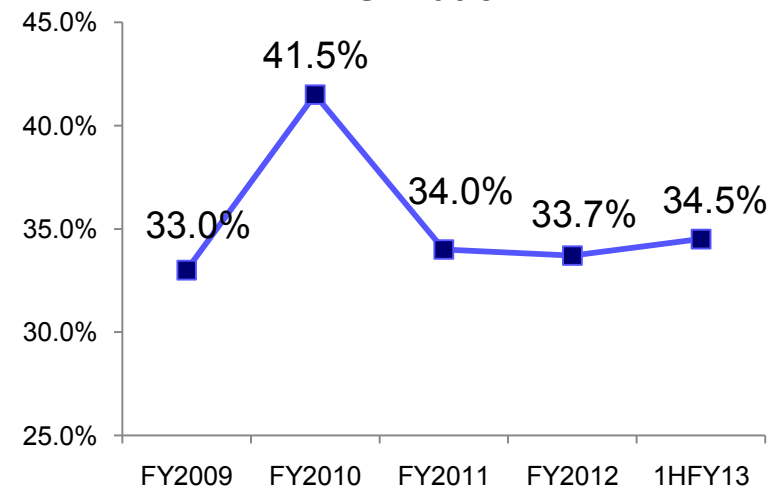


- CASA deposits expanded by RM300 million to RM11.1 billion.
- 49.6% of deposits from individuals

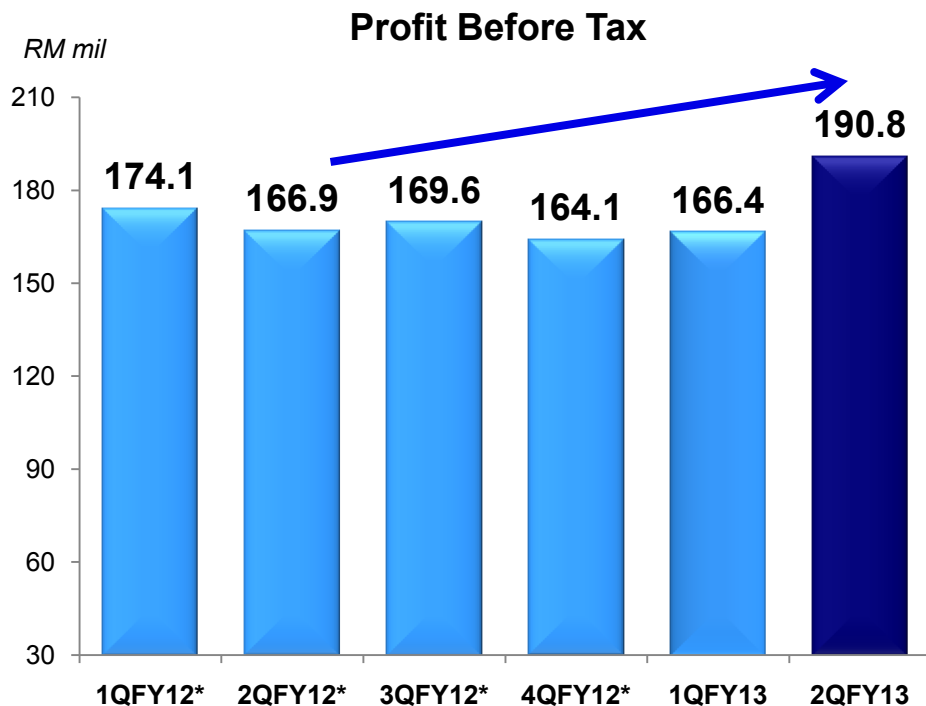
2QFY2013: Composition by type of Deposits



CASA ratio

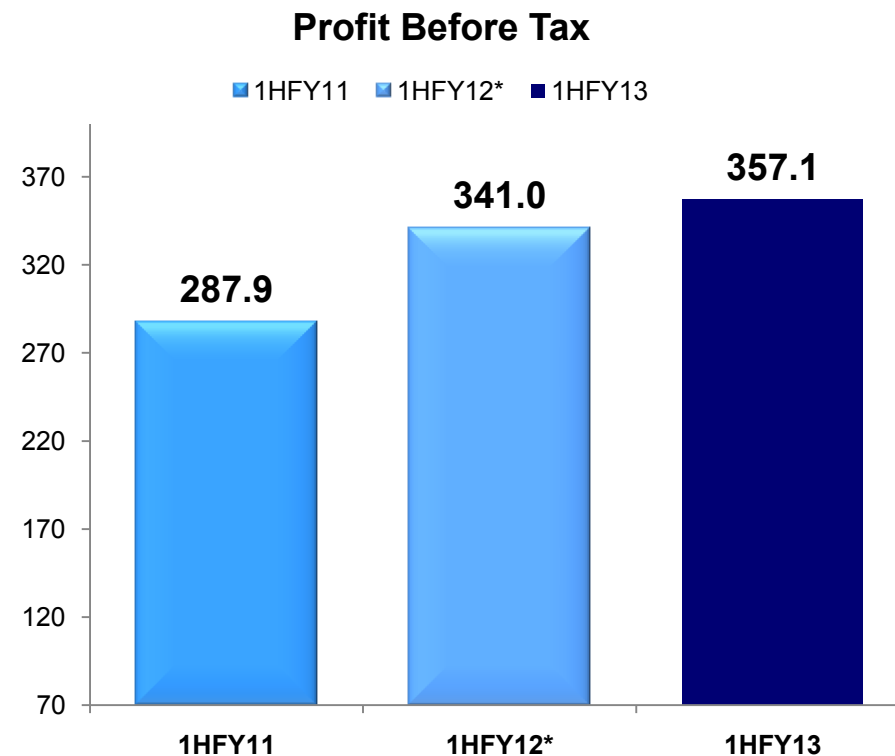


Growth of 4.7% Y-o-Y; but up 14.7% over 1st Quarter FY13.



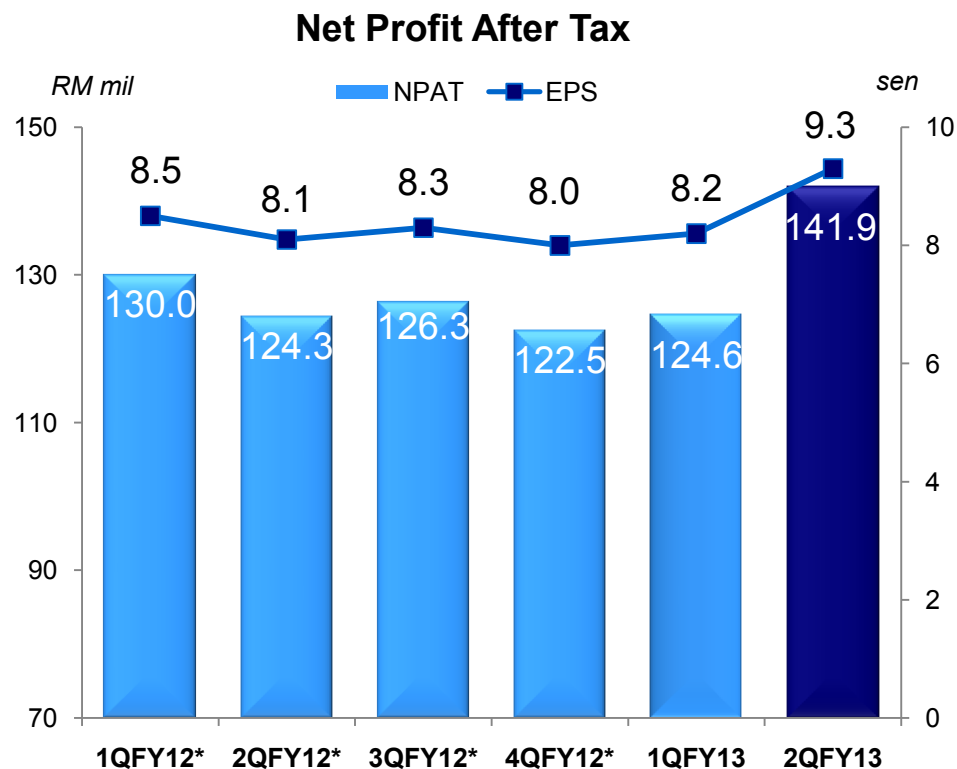
2QFY13 vs 2QFY12
RM 23.9 mil
+14.3%

2QFY13 vs 1QFY13
+ RM 24.4 mil
+ 14.7%



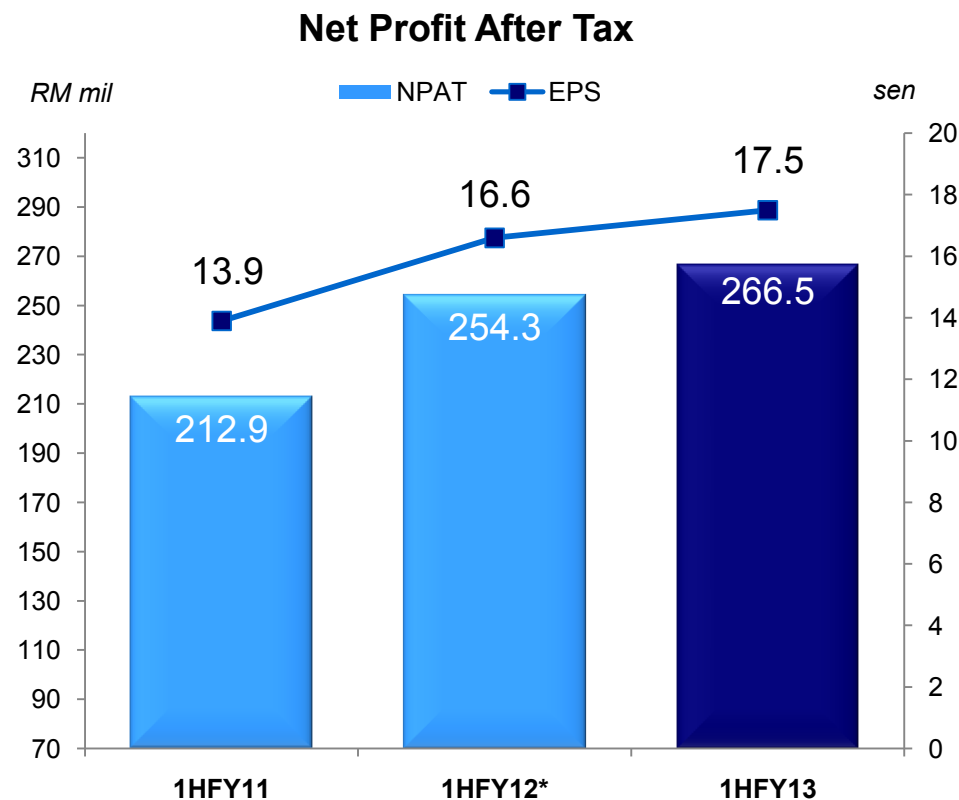
1HFY13 vs 1HFY12
+RM 16.1 mil
+4.7%

1HFY2013: 4.8% growth in Net Profit After Taxation; and 14.2% Growth Q-o-Q



2QFY13 vs 2QFY12
RM 17.6 mil
+ 14.2%

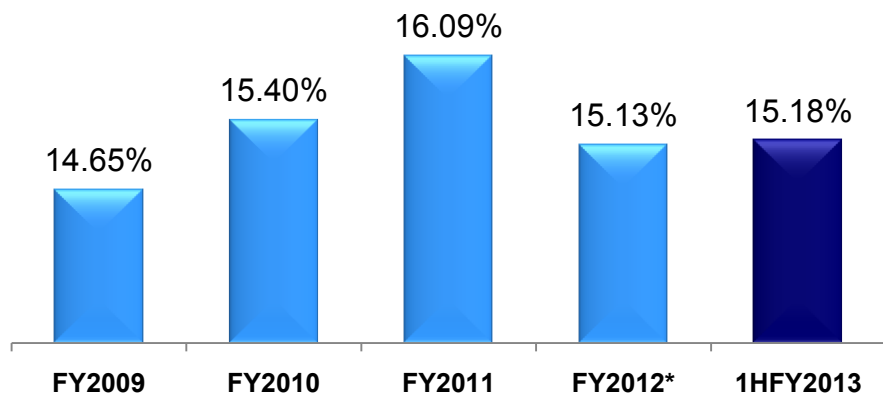
2QFY13 vs 1QFY13
+ RM17.4 mil
+ 13.9%



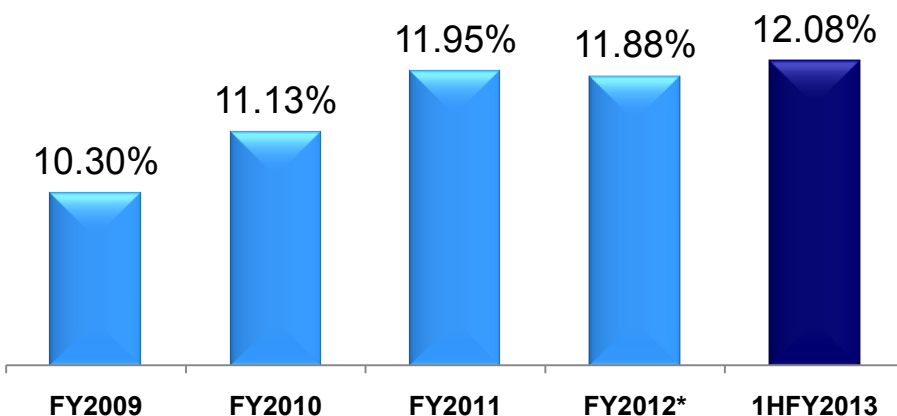
1HFY13 vs 1HFY12
+ RM12.2 mil
+ 4.8%

Healthy RWCR at 15.2%, with Tier 1 at 12.1% well above Basel III requirements

Risk Weighted Capital Ratio



Core Capital Ratio



Balance Sheet Leverage Ratio <i>(total equity net of deferred tax & intangible assets over total assets net of deferred tax & intangible assets)</i>	8.8%
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Total Leverage Ratio <i>(total equity net of deferred tax & intangible assets over total assets net of deferred tax & intangible assets & Off Balance Sheet)</i>	6.0%
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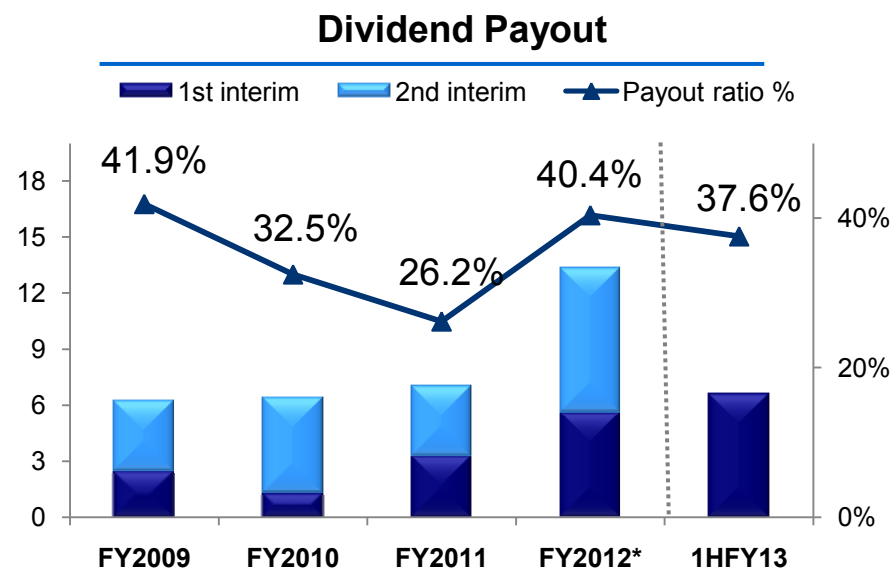
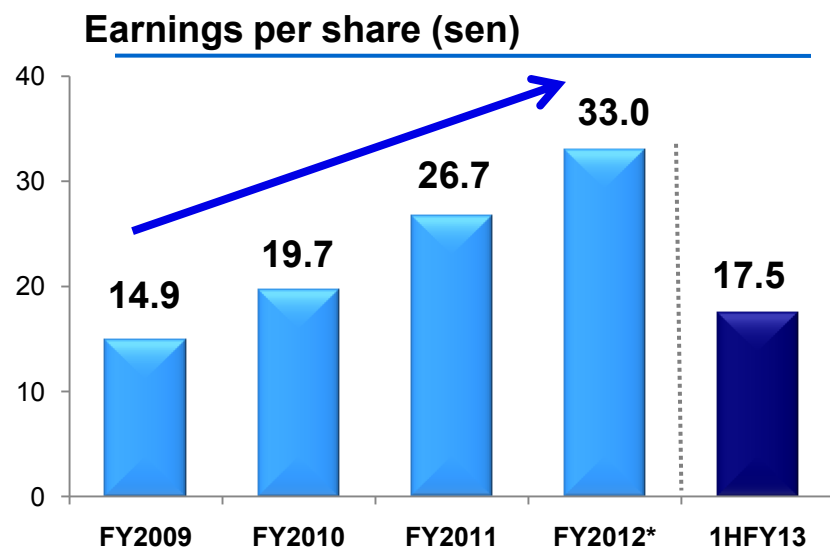
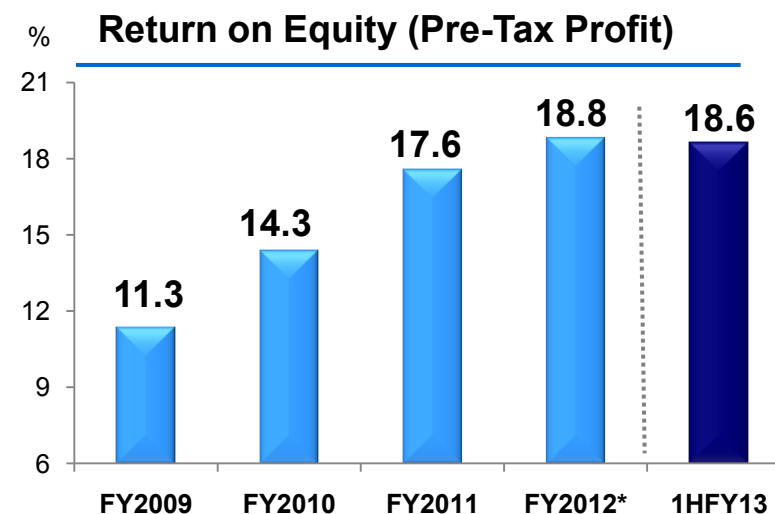
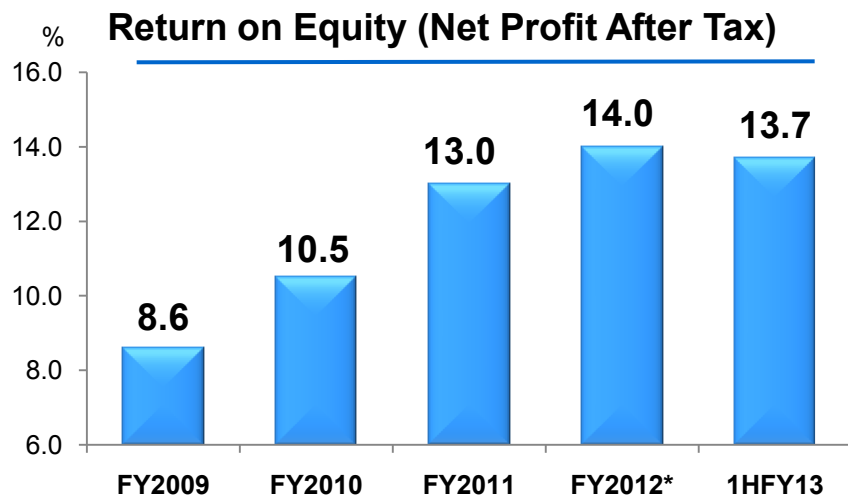
Capital Adequacy by Legal Entities

Legal Entities	Core Capital	RWCR
ABMB	13.53%	13.57%
AIS	12.57%	13.43%
AIBB	81.66%	82.00%

Enhancement to capital ratios to be achieved by:

- Focus on less capital intensive fee based and non-interest income activities
- Strong asset quality

Consistent Growth in Shareholder Returns – EPS & Dividend Payout Ratio Raised to 50% of NPAT



Note * Restated for MFRS 139

Since April, we have launched a number of business initiatives



ALLIANCE one bank rewards **EARN**

FASTER POINTS

THE MOST COMPLETE TOTAL BANKING RELATIONSHIP REWARDS

Cash Fixed Deposit Quoted Shares Property UT Funds* Bonds*

1ST in the industry for Commercial Bank in Malaysia.

My Alliance Bank portfolio lending account



Malaysia's Most Valuable Brands



ALLIANCE BANK
Banking Made Personal

Language Version: EN | BM

alliance online

Log On
-- Select --

Personal Banking
Business Banking
About Us

alliance online

Security Alert

BIZ SMART



My Business Platinum Card



Visa Infinite

AirAsia Big Rewards



Imagine what you could do if there were MORE OF YOU.

SME BUSINESS CONFERENCE 2012
"EMPOWERING BUSINESSES"

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

- Systematic execution of strategy
- Build on existing strengths and niche position in Consumer and Business Banking
- Drive growth of non-interest income
 - Transaction Banking
 - Treasury Sales
 - Banc Assurance
 - Wealth Management
- Enhance capabilities in risk management
- Ensure impactful investments in IT and infrastructure
- Enhance productivity and efficiency

**Challenges Ahead**

- NIMs to remain under pressure
- Challenging external economic environment
- Moderating economic growth
- Regulatory guidelines may impact consumer loans growth

..... We will continue to exercise caution and vigilant risk management in face of challenges

THANK YOU

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