



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

Banking Made Personal

INVESTOR PRESENTATION FY2013 Results

21 May 2013



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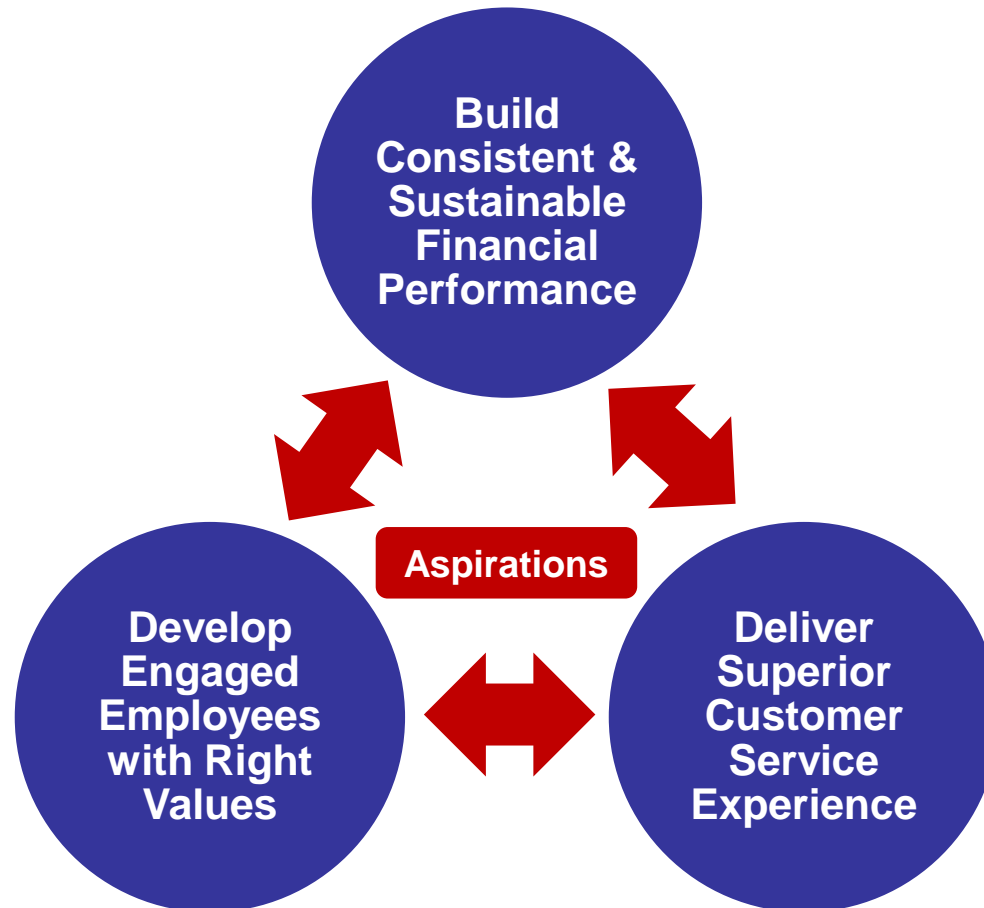
Executive Summary

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Financial Results for 12 Months FY2013

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Strategic Focus & Priorities

We have Built a Strong Franchise in Consumer & SME Banking

- ❑ 7.0% growth in net profit of RM538.1 million
- ❑ Clear niche in Consumer & SME Banking:
 - ✓ Increasing market share in target segments with faster than industry loan growth
 - ✓ Winning market recognition
- ❑ Focused on building sustainable long term revenue growth:
 - ✓ Accelerated non-interest income activities
 - ✓ Sustainable CASA ratio
 - ✓ 1.1% net impaired loans ratio
 - ✓ 14.8% total capital ratio
- ❑ Dividend pay-out ratio of 46.9%

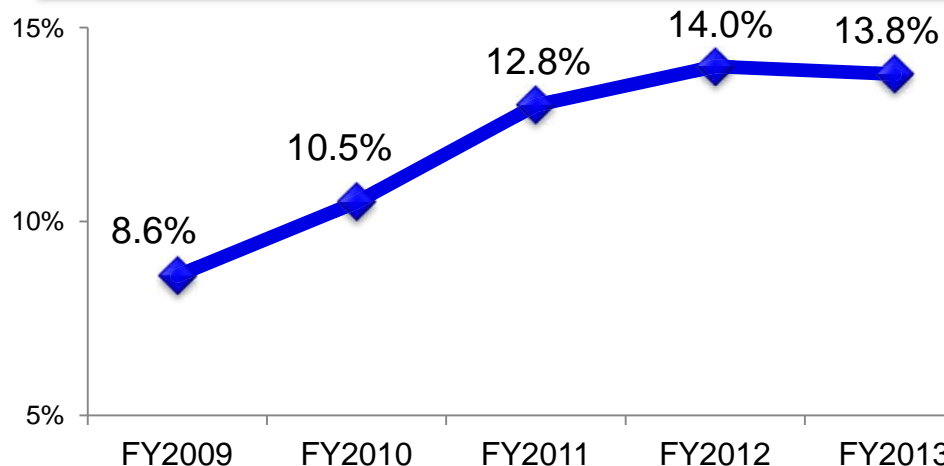
We are making good progress against our 3-Year Medium Term Targets FY2012 – FY2015

		FY2011	FY2013
Asset Quality	... net impaired loans to be better than industry average	1.9%	1.1%
Non-Interest Income Ratio	... to increase non-interest income to 30% of total revenue	20.8%	28.7%
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 	12.8%	13.8%
Dividend Policy	... pay up to 50% of net profits after tax, subject to regulatory approvals and strong capital ratios	26.2%	46.9%

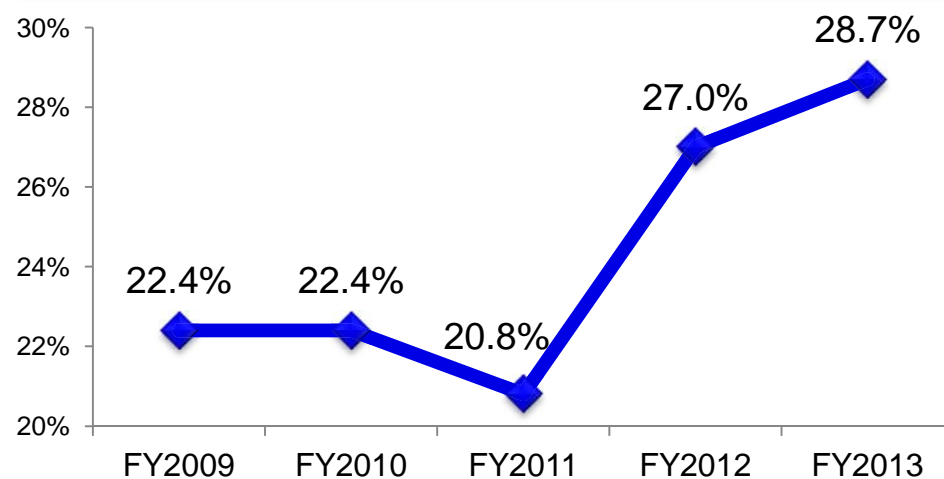


Improving Financial Performance, with Key Metrics in the Right Direction

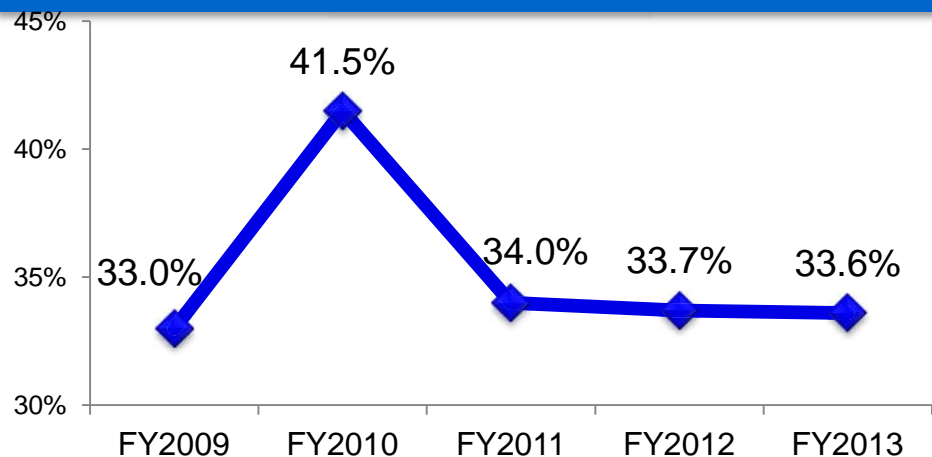
Return on Equity



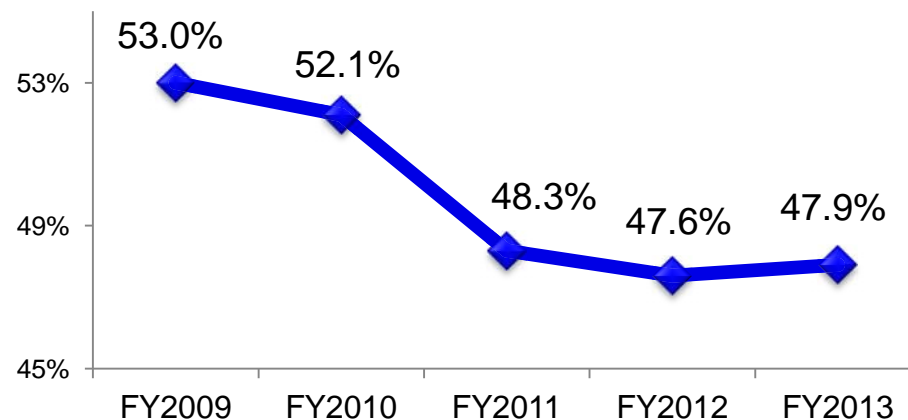
Non-Interest Income Ratio



CASA Ratio



Cost-to-Income Ratio



Sustainable & Consistent Financial Performance: 7.0% NPAT Growth

	FY2013 RM mil	FY2012* RM mil	Change	
			RM mil	%
Net Interest & Islamic Banking Income	972.6	924.1	48.5	+5.2%
Non-Interest Income	360.4	320.2	40.2	+12.6%
Net Income	1,333.0	1,244.3	88.7	+7.1%
Operating Expenses	639.3	591.8	47.5	+8.0%
Pre-Provision Operating Profit	693.7	652.5	41.2	+6.3%
Write-back of loans and impairment provisions	25.0	24.1	0.9	+3.7%
Pre-tax profit	714.0	674.6	39.4	+5.8%
Net Profit After Taxation	538.1	503.1	35.0	+7.0%

- +5.2% rise in net interest income from 13.4% net loans growth, but interest margins remain under pressure
- +12.6% growth in non-interest income
- +8.0% increase in overhead expenses mainly due to investments in human capital and IT infrastructure
- Despite higher loans growth, achieved net write back of loan loss provisions from:
 - Loan recoveries
 - Lower collective provisions with on-going improvements in credit ratings of loans portfolio

Net Loans Growth at 13.4% Y-o-Y, Driven By Consumer Lending

Balance Sheet	FY2013 RM bil	FY2012 RM bil	Change	
			RM bil	%
Total Assets	43.7	39.7	4.0	10.0%
Treasury Assets	12.6	11.5	1.1	9.6%
Net Loans	27.8	24.5	3.3	13.4%
Customer Deposits	36.0	32.2	3.8	11.9%
CASA Deposits	12.1	10.8	1.3	11.6%
Shareholders' Funds	4.0	3.8	0.3	7.0%
Customer Deposits Growth (y-o-y)	11.9%	13.4%	-	-1.5%
Net Loans Growth (y-o-y)	13.4%	11.9%	-	+1.5%

- +13.4% y-o-y net loans growth: above industry - targeting profitable consumer and SME segments
- +11.9% Customer Deposits growth, keeping pace with loans expansion to maintain healthy loans to deposit ratio.
- +11.6% growth in CASA Deposits, to account for 33.6% of total deposits

Financial Ratios	FY2013	FY2012*	Change
<i>Income Statement:</i>			
Non-Interest Income Ratio	28.7%	27.0%	+1.7%
Cost to Income Ratio	47.9%	47.6%	+0.3%
Return on Equity	13.8%	14.0%	-0.2%
Earnings per Share	35.3 sen	33.0 sen	+7.0%
Dividends Paid	16.6 sen	13.30 sen	+24.8%
<i>Balance Sheet:</i>			
CASA Ratio	33.6%	33.7%	-0.1%
Loans to Deposit Ratio	78.4%	77.7%	+0.7%
Gross Impaired Loans Ratio	2.1%	2.5%	-0.4%
Net Impaired Loans Ratio	1.1%	1.4%	-0.3%
Loan Loss Coverage Ratio	82.5%	87.7%	-5.2%
Common Equity Tier 1 Capital Ratio	10.6%	-	-
Total Capital Ratio	14.8%	15.1%	-0.3%
NTA per Share	2.60	2.43	+0.17

- Non-interest income – improving steadily each year with focus on building recurring fee income
- Cost to income ratio – rise due to continued investments in human capital and IT infrastructure
- 24.8% rise in dividends paid, with dividend payout ratio raised progressively to 46.9%.
- Sustained CASA ratio in line with expansion of deposits
- Asset quality better than industry average
- Strong capitalisation under Basel 3:
 - ✓ 10.6% CET 1 Ratio
 - ✓ 14.8% Total Capital Ratio

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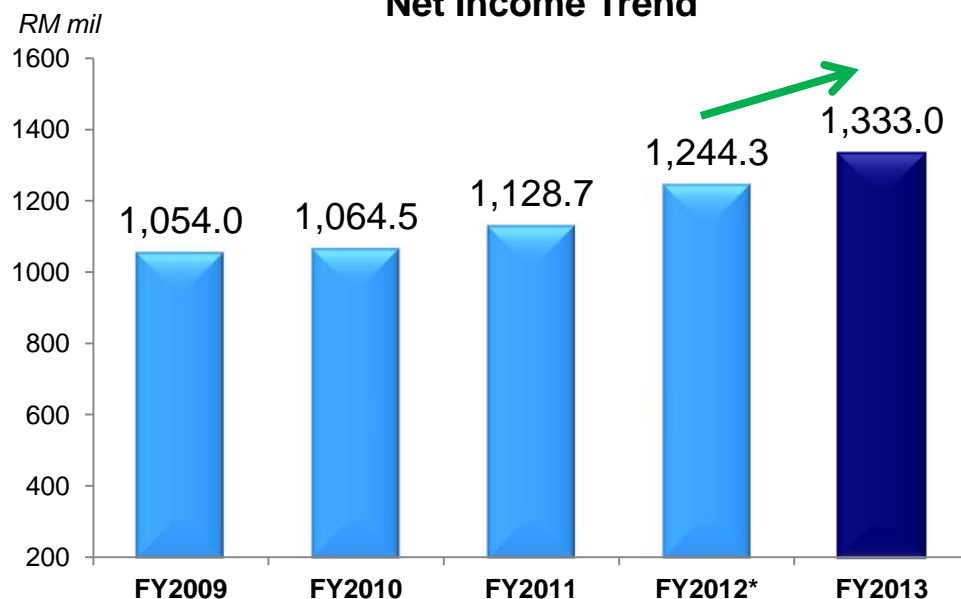
Financial Results for 12 Months FY2013

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Strategic Focus & Priorities

Steady growth in net income driven by higher loans growth

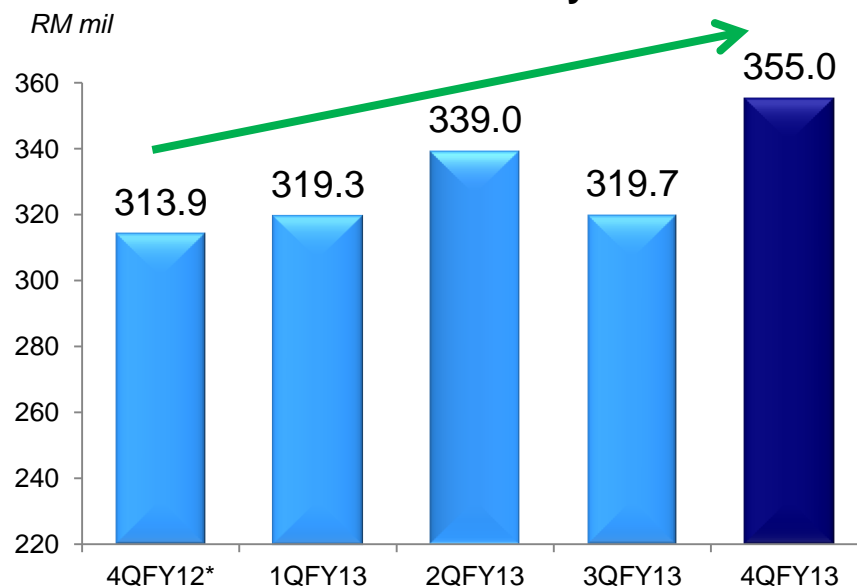
Net Income Trend



FY13 vs FY12
+ RM88.7 mil
+ 7.1%

Q4FY13 vs Q4FY12
+RM41.1 mil
+ 13.1%

Net Income: Quarterly Trend



- Net income growth of RM88.7 million or 7.1% driven by:
 - +RM107.9 million increase in interest income primarily from loans growth;
 - but offset by
 - +RM44.6 million rise in interest expense from expansion in deposits and competition for deposits
- Excluding one-off gains, net income up RM80.5 million or 6.5%

Note:

4th Quarter FY2013 – RM23.2 million from sale of 30% shareholding in AIA-AFG Takaful

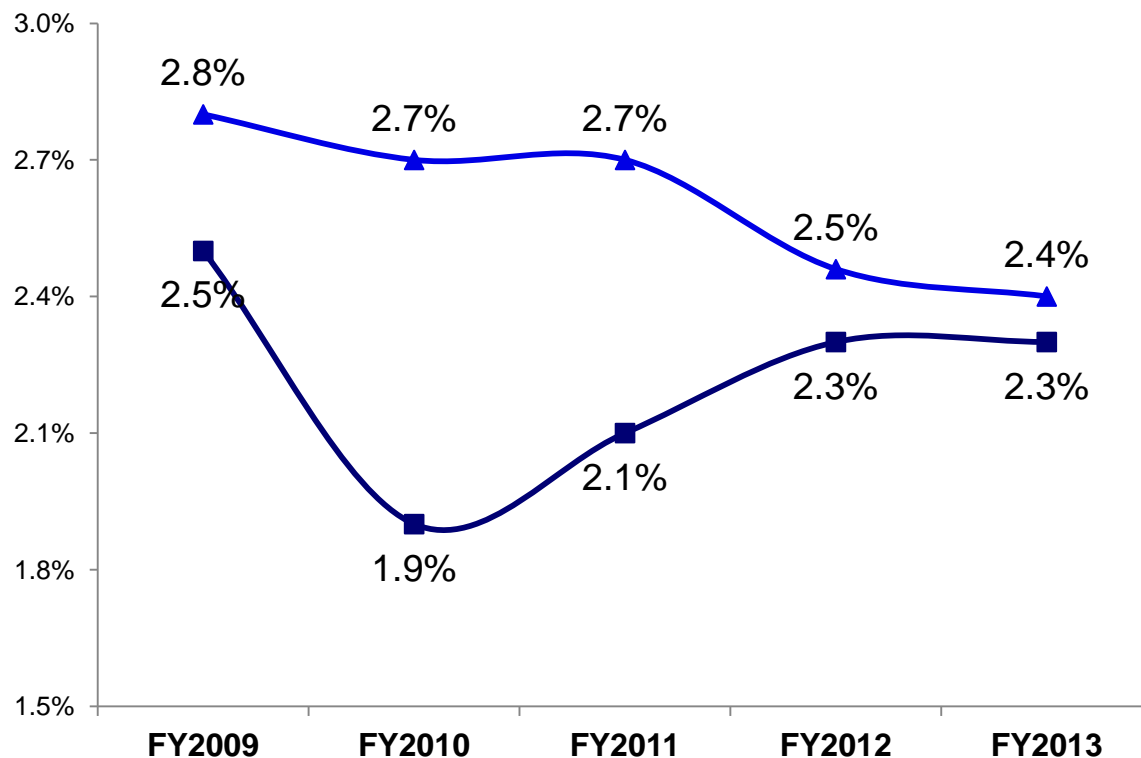
4th Quarter FY2012 – RM15.0 million upfront fee from banca agreement

*Note: * Restated for MFRS*

Net Interest Margin Continues To Be Under Pressure

NIM and Cost of Funds Trend

▲ NIM ■ COF

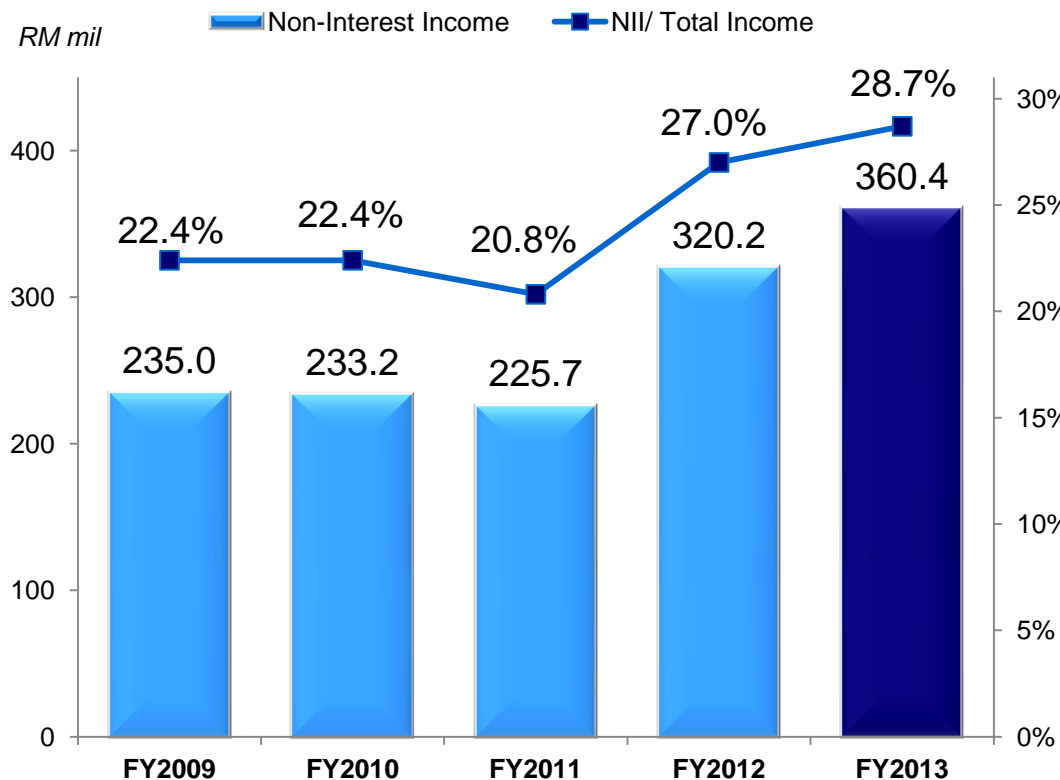


- Continuing margin compression due to:
 - Run off from repayments of higher yielding loans:
 - ✓ Co-op loans – down from RM1,023.1 million as at March 2011 to RM510.8 million as at March 2013
 - ✓ Mortgage loan repayments
 - New mortgage loans at lower yield
 - Intensified competition for fixed deposits
- Margin compression expected to continue

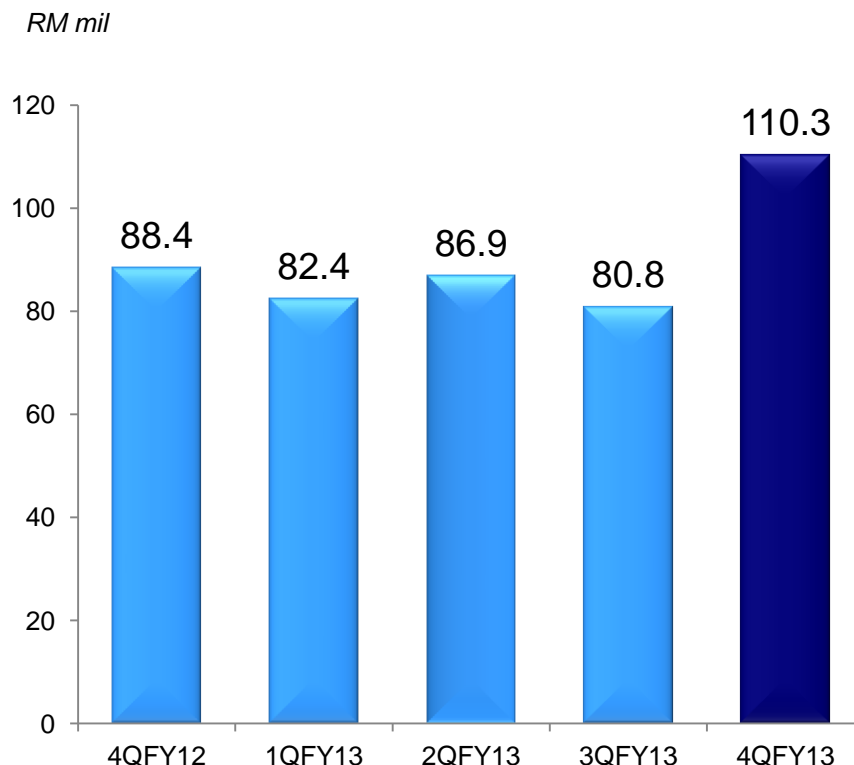
Effective	OPR	SRR
July 2011	3.00%	4%
May 2011	3.00%	3%
April 2011	2.75%	2%
July 2010	2.75%	1%
June 2010	2.50%	1%

Non-Interest Income Ratio at 28.7%, with growth in recurring fee income

Non-Interest Income Trend



Non-Interest Income Trend



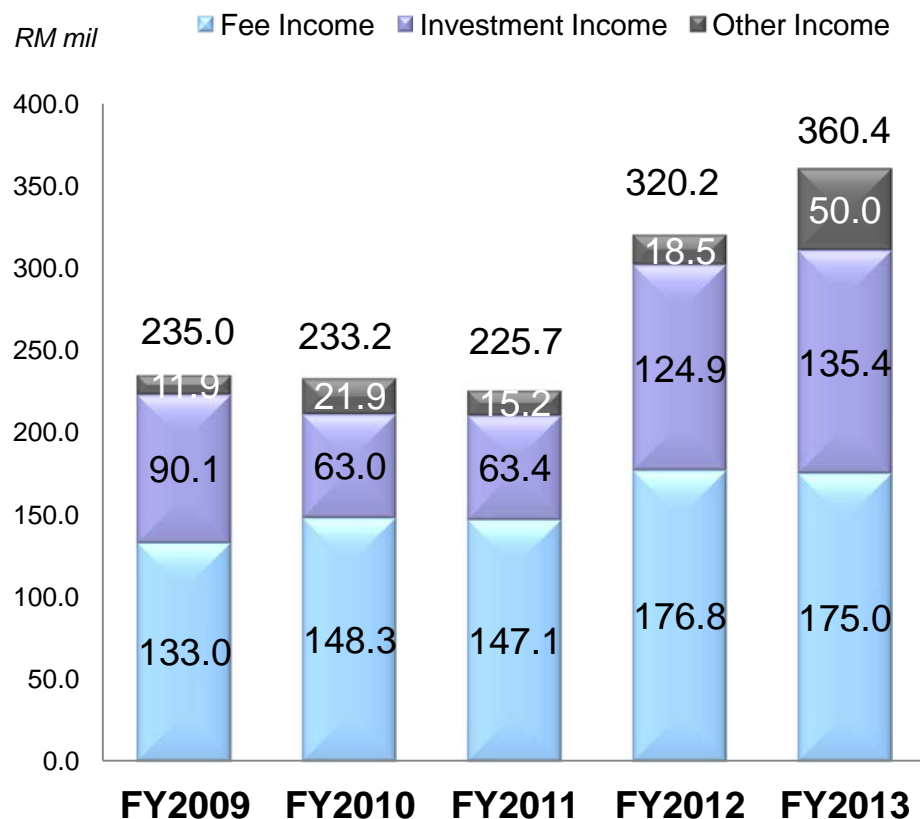
FY13 vs FY12
+ RM40.2 mil
+ 12.6%

Q4FY13 vs Q4FY12
+ RM21.8 mil
+ 24.7%

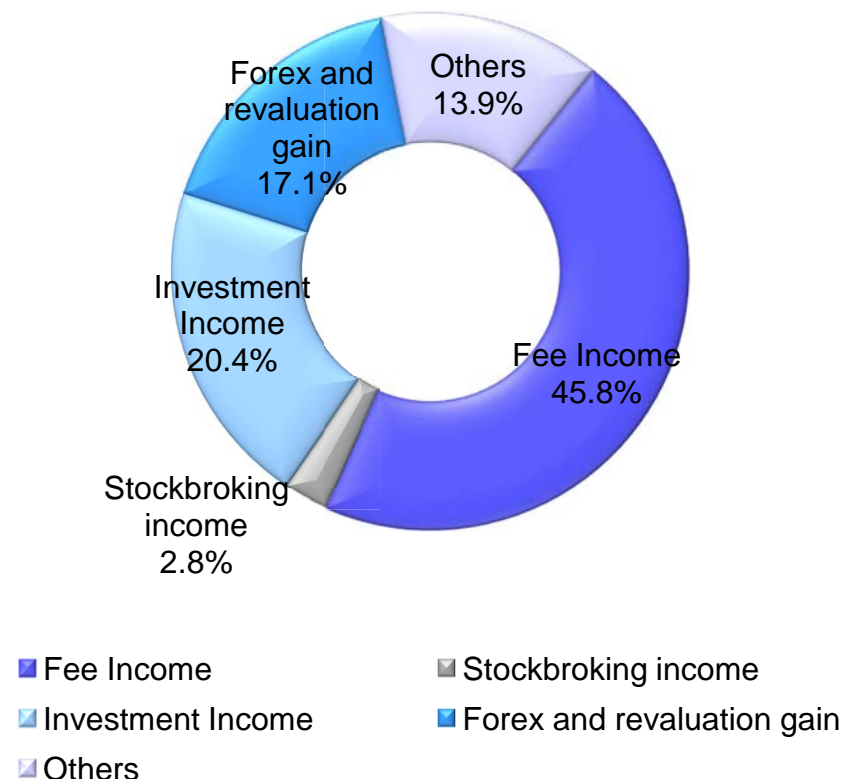
□ Building sustainable recurring growth in non-interest income

Recurring investment and fee income

Composition of Non-Interest Income



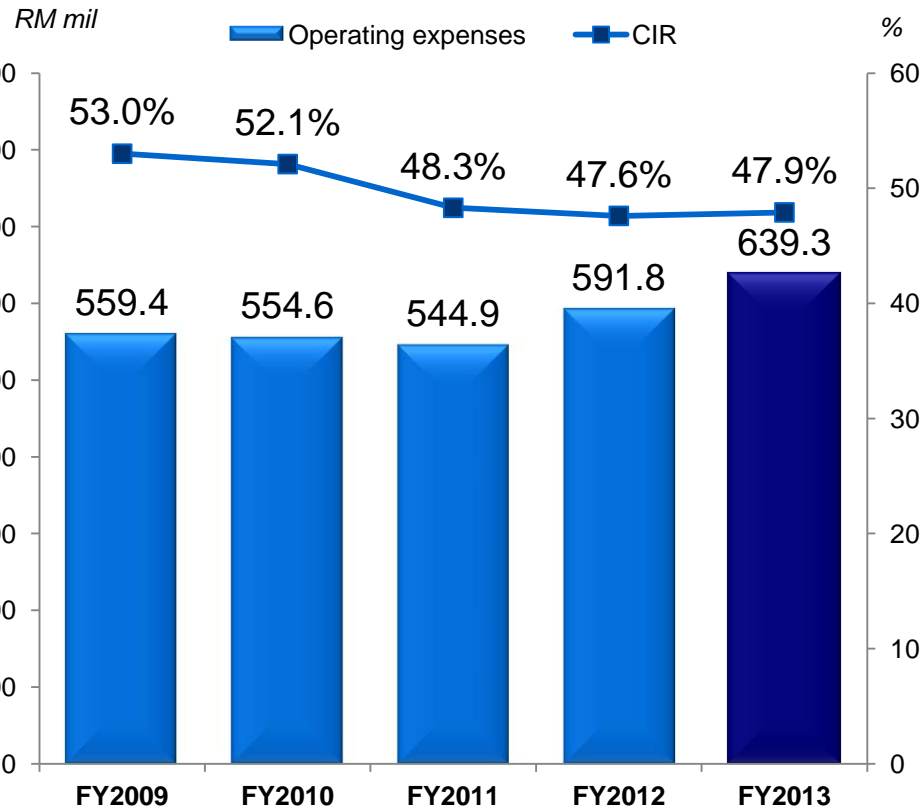
Non-Interest Income Contribution FY2013



- ❑ Steady growth in fee income, especially commissions from transaction banking activities
- ❑ FY2013 sustained investment income from trading in securities despite flatter yield curve
- ❑ Treasury trading activities focused on Government papers

Cost-to-income Ratio remains stable at 47.9%

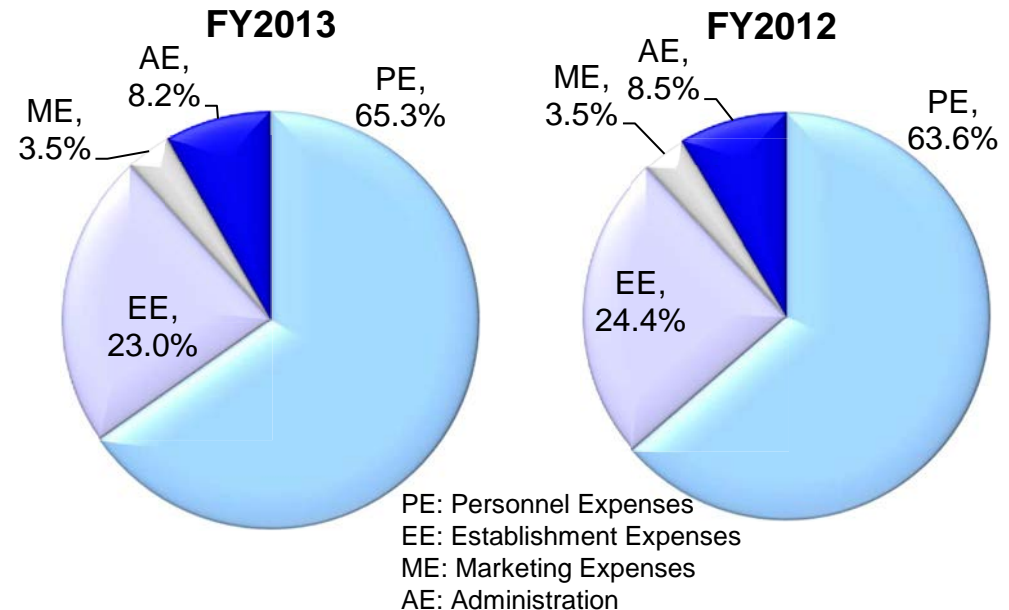
Operating expenses trend



FY13 vs FY12
+ RM47.5 mil
+ 8.0%

Q4FY13 vs Q4FY12
+RM15.1 mil
+ 9.6%

Composition of operating expenses

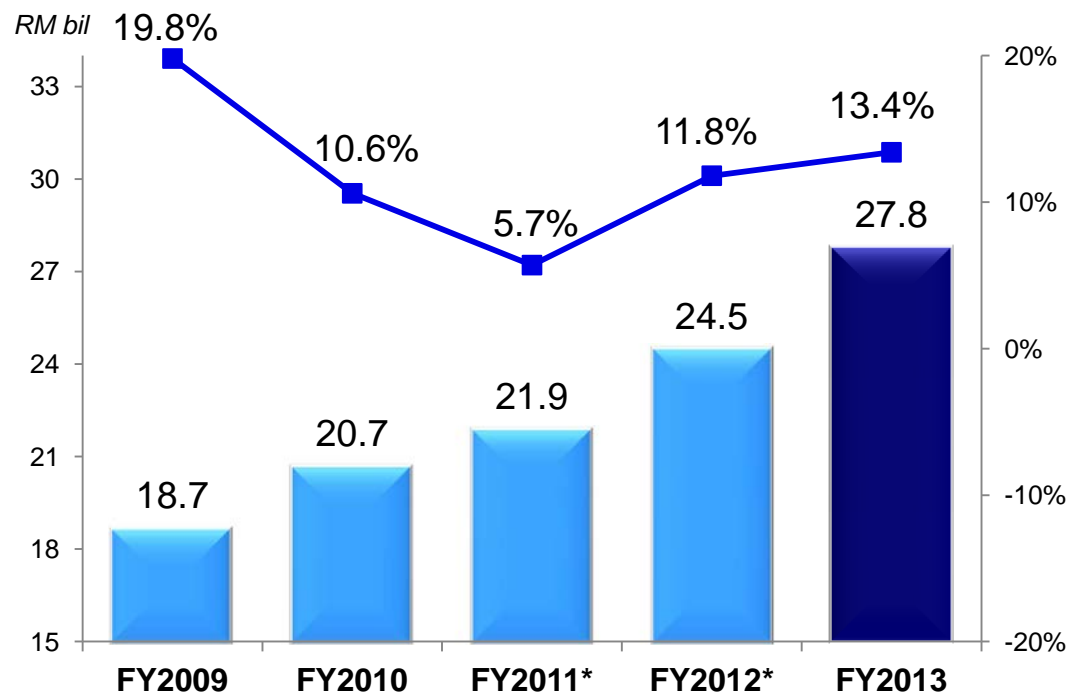


Operating Cost Contribution (RM Million)	FY2013	FY2012	Change	
			RM	%
Personnel	417.6	376.2	41.4	11.0
Establishment	146.9	144.4	2.5	1.7
Marketing	22.5	20.6	1.9	9.2
Administration	52.3	50.6	1.7	3.4

- Increase in operating expenses mainly from business expansion, as Group continues to invest in human capital and IT infrastructure

Net Loans Growth Accelerated to 13.4% Y-o-Y, Driven By Consumer Lending

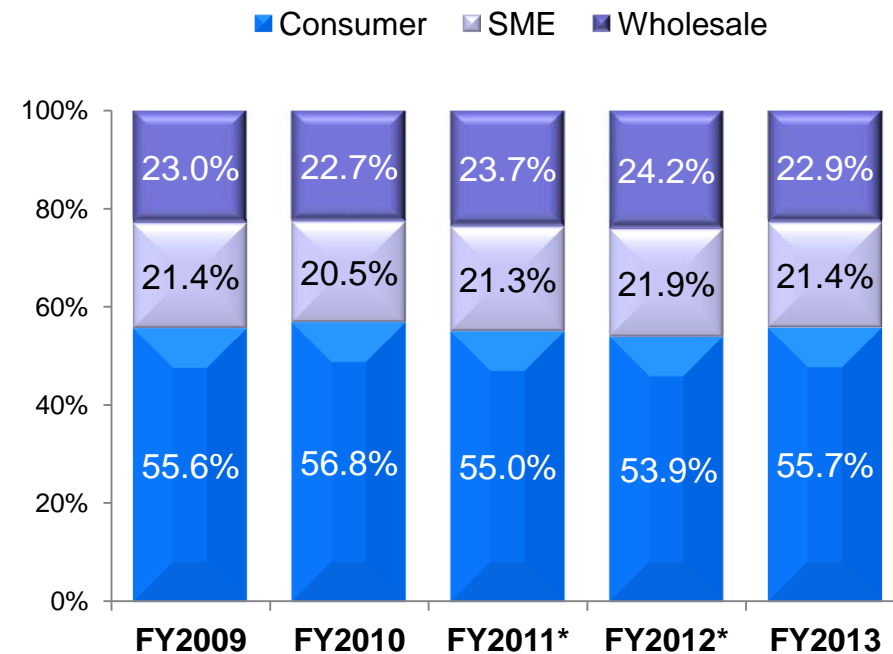
Net Loans Growth Trend



FY13 vs FY12
+ RM3.3 bil
+ 13.4%

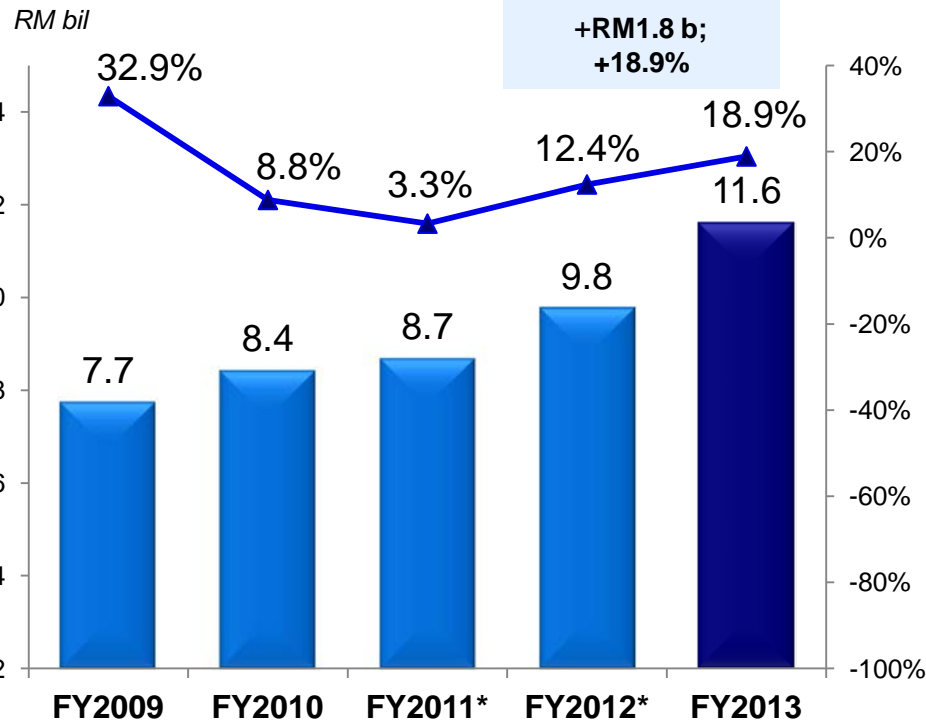
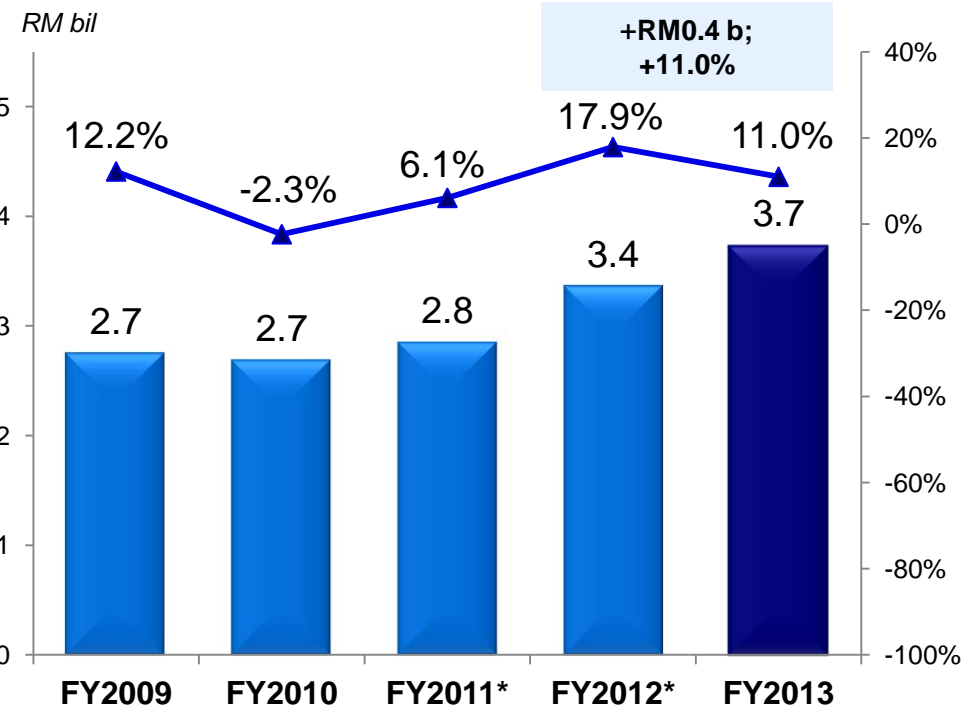
FY12 vs FY11
+ RM 2.6bil
+ 11.8%

Loans Composition by Business Segments

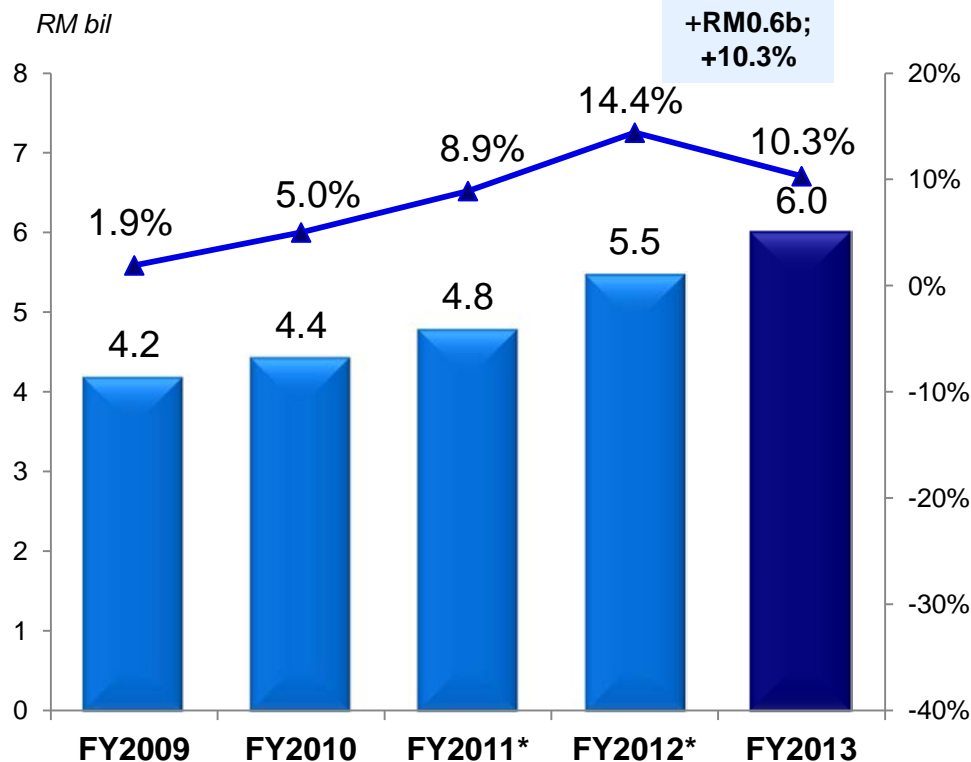
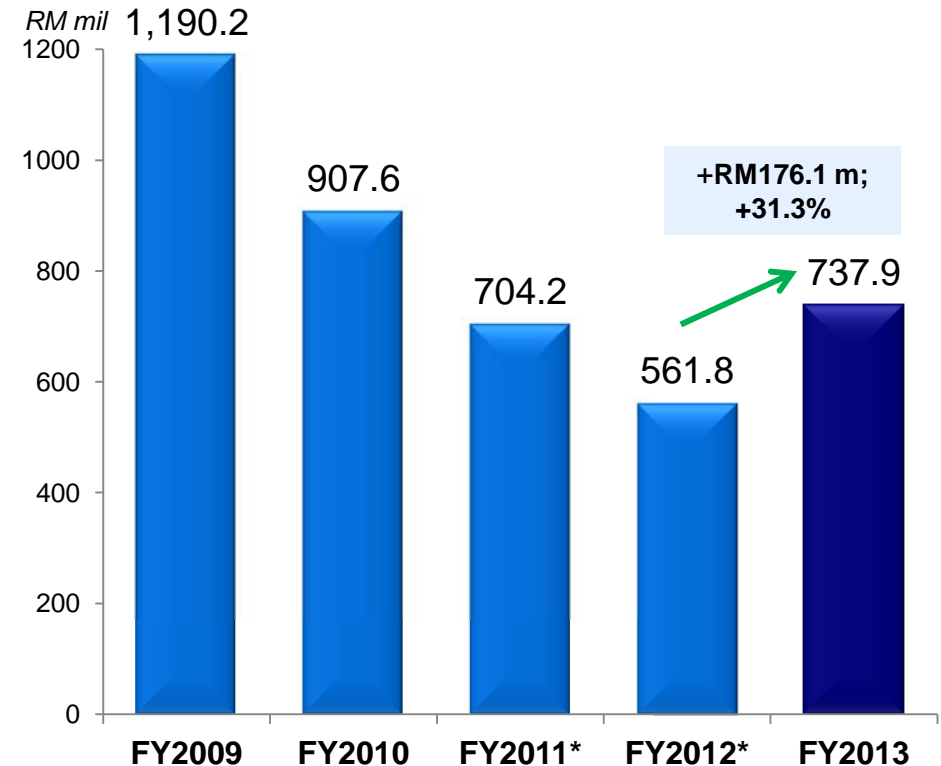


RM Billion	FY2013	FY2012	Change	
			RM	%
Household	632.7	564.5	68.2	12.1
Business	498.6	458.7	39.9	8.7

- ❑ Balanced loans composition with 55.7% Consumer; 21.4% SME and 22.9% for Wholesale Lending
- ❑ Effective management of interest rate risk – 9.7% of loan book is fixed rate (FY2012: 13.8%)

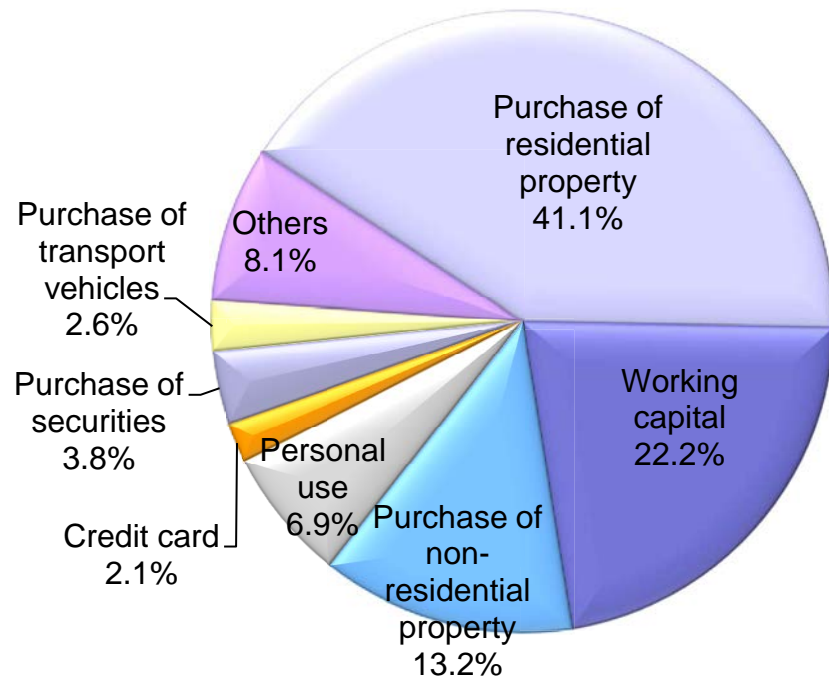
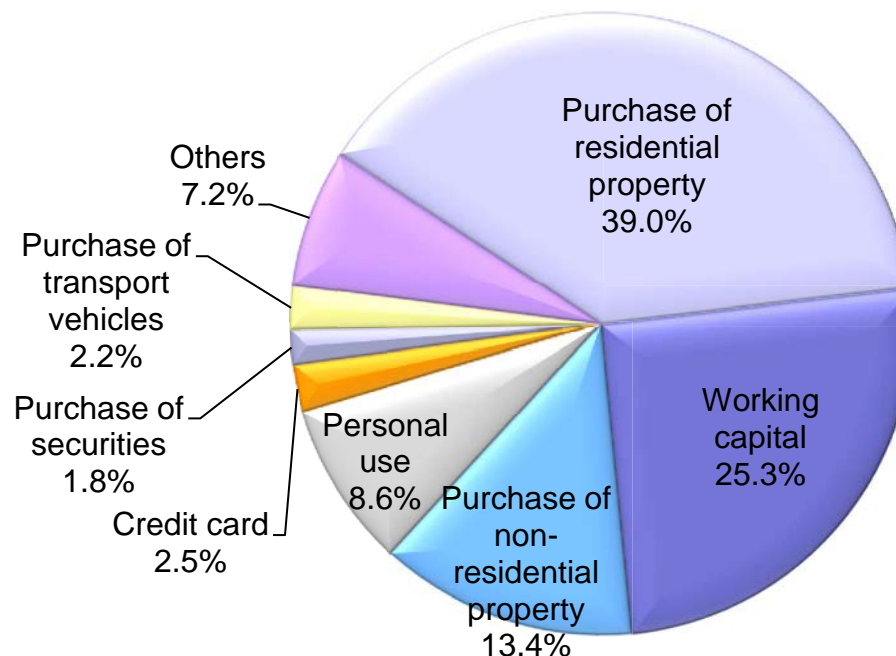
Residential Properties expanded 18.9% Y-o-Y, above industry loans growth
Loans Growth for Residential Property

Loans Growth for Commercial Property


- ❑ Residential properties: + RM1.8 billion or 18.9% y-o-y growth, higher than the industry growth rate of 12.4%
- ❑ Commercial properties: + RM0.4 billion or 11.0% y-o-y growth
- ❑ Focus on high growth areas i.e. Klang Valley, Penang and Johor, with attractive housing loan packages for the right customer

Lending for SMEs expanded 10.3% y-o-y; Resumed growth in Hire Purchase
Loans Growth for SME

Loans Growth for Transport Vehicles


- ❑ SME Lending: + RM 0.6 billion or 10.3% y-o-y loans growth
- ❑ Lending to accelerate in 2nd Half FY2013, with flow-through impact of ETP Projects

- ❑ +RM176.1 million or 31.3% y-o-y growth for loans for transport vehicles
- ❑ Re-commenced Hire Purchase financing in April 2012
- ❑ Progressively expanding Hire Purchase business by focusing on new and non-national marques

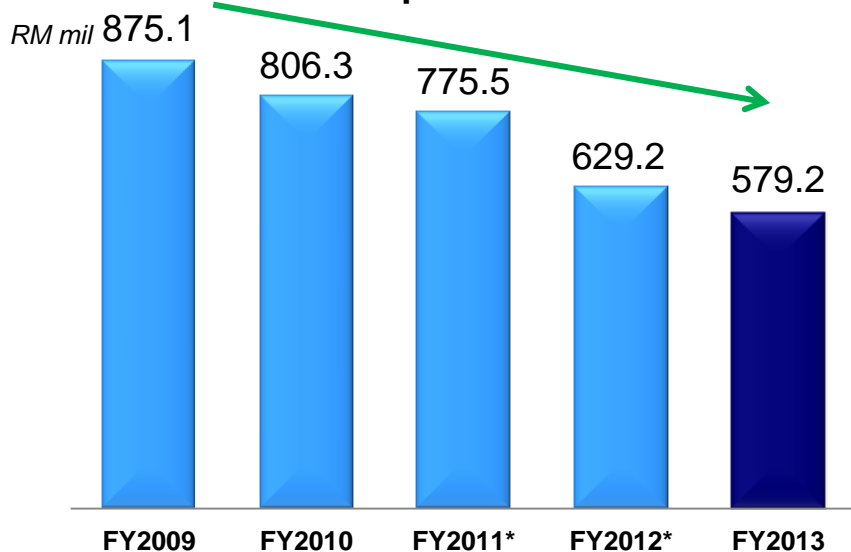
Well Diversified & Secured Loans Portfolio
Loans Composition by Economic Purposes
FY2013

FY2012


- ❑ Risk Management – well diversified and collateralised loan book
- ❑ Residential and non-residential properties account for 54.3% of gross loans portfolio
 - 41.1% of loans portfolio is for residential properties, up from 39.0% as at FY2012
 - 13.2% for non-residential properties
 - 22.2% for working capital



Continued Improvement In Asset Quality – Net Impaired Loans Ratio Down to 1.1%

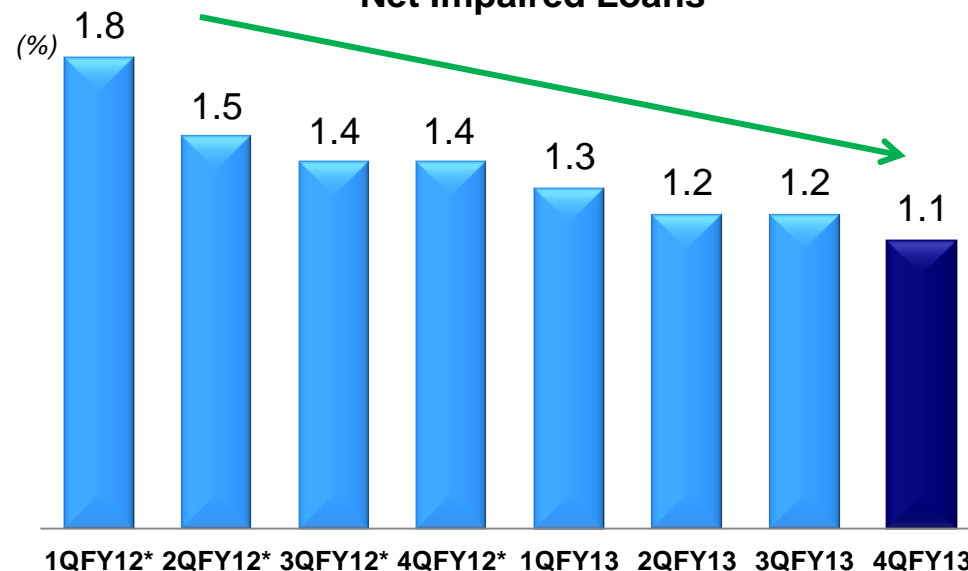
Gross Impaired Loans



Gross Impaired Loans Ratio

FY2009	FY2010	FY2011	FY2012	FY2013
4.5%	3.8%	3.5%	2.5%	2.1%

Net Impaired Loans



Net Impaired Loans Ratio

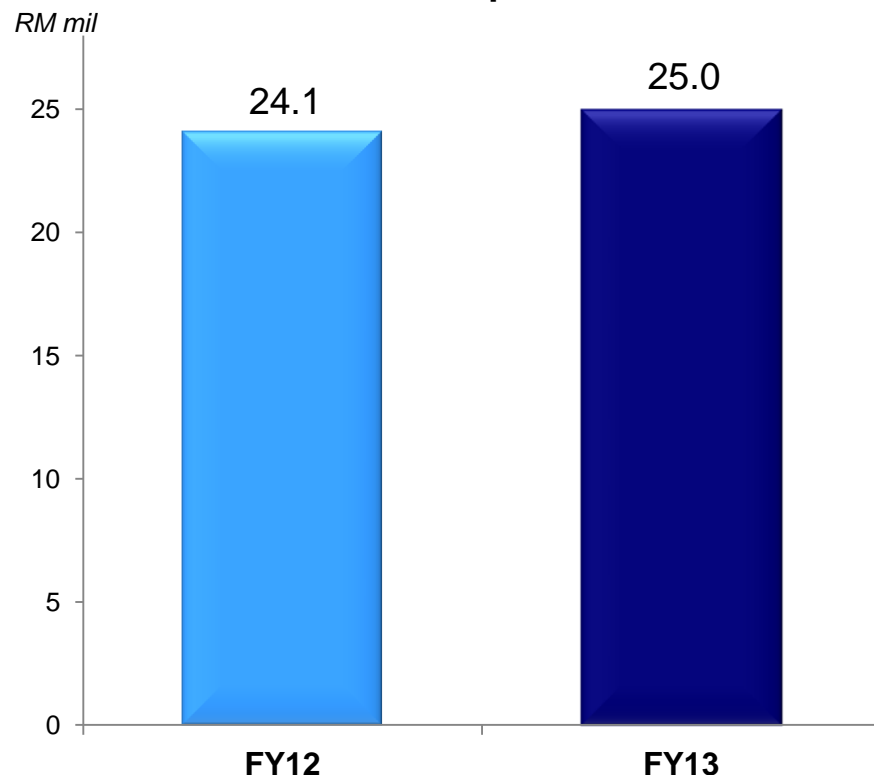
FY2009	FY2010	FY2011	FY2012	FY2013
1.8%	1.8%	1.9%	1.4%	1.1%

- ❑ RM50 million net reduction in gross impaired loans, despite 12.8% gross loans growth
- ❑ Low net impaired loans ratio of 1.1%
- ❑ Stronger recoveries due to better collateralised portfolio



Net write back in provisions due to recoveries, despite double digit loans growth

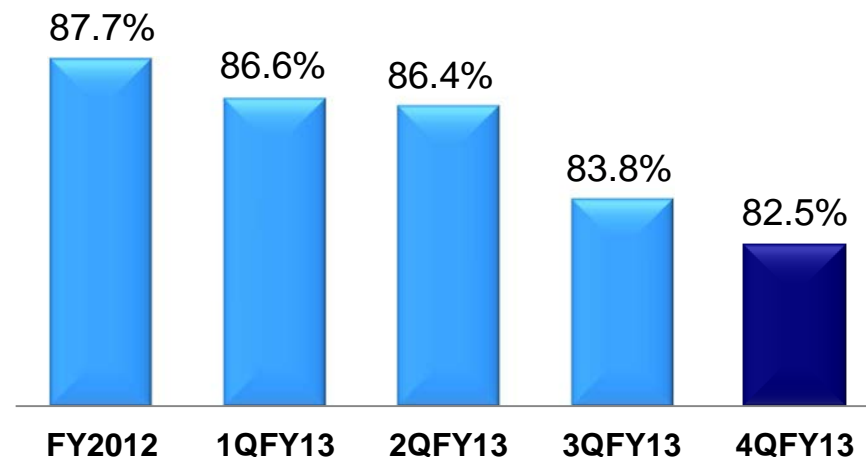
Net Write-back of Impairment Provision



Note: CLO recoveries amounted to RM0.5 mil as at FY13. (23.1 mil in FY12)

- ☐ Net write back of impairment provisions during the year due to recoveries, despite setting aside additional collective provisions for loans growth
- ☐ Drop in coverage due to recoveries

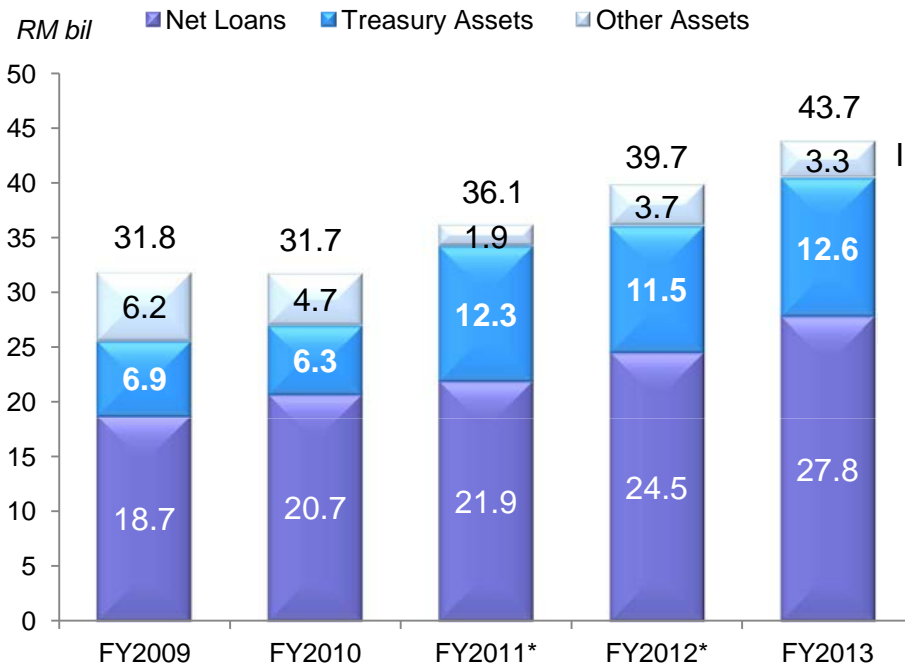
Loan Loss Coverage



RM'000	FY2013	FY2012
Individual assessment	19,674	3,108
Collective assessment	8,034	27,627
Bad debts recovered	(78,360)	(65,590)
Bad debts written off	21,660	30,371
Net other allowances	4,479	2,028
Write-back of impairment on securities	(474)	(23,103)
Allowance for impairment on property, plant & equipment	-	1,460
Total charge / (write back)	(24,987)	(24,099)

Effective Utilisation of Balance Sheet: Net loans constitute 63.6% of total assets

Total Assets Trend

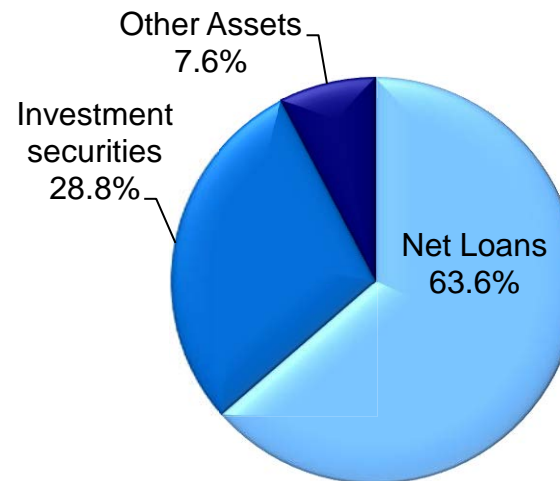


FY2013 growth
+ **RM4.0 bil**
+ **10.0%**

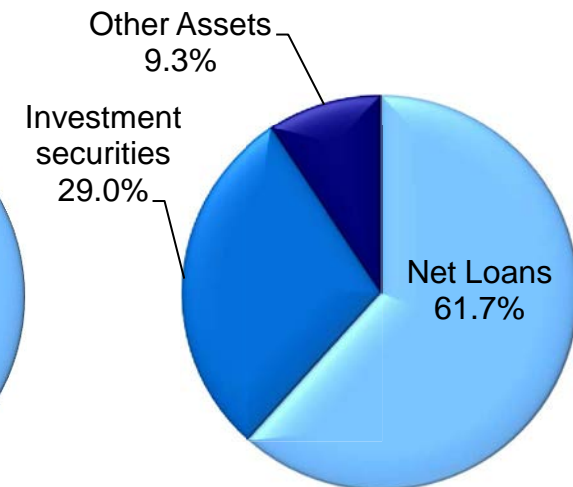
FY2012 growth
+ **RM3.6 bil**
+ **10.0%**

Composition of Total Assets

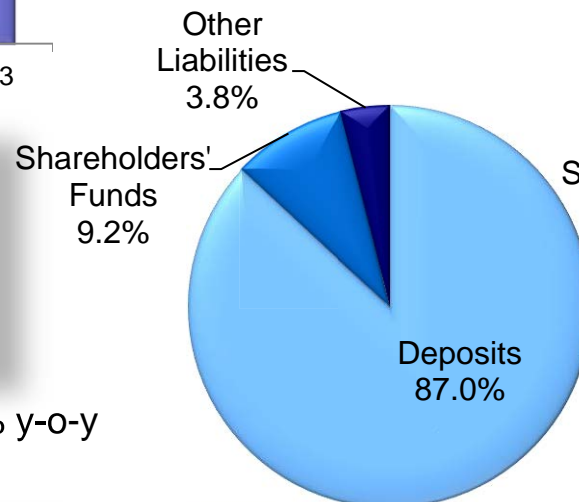
FY2013



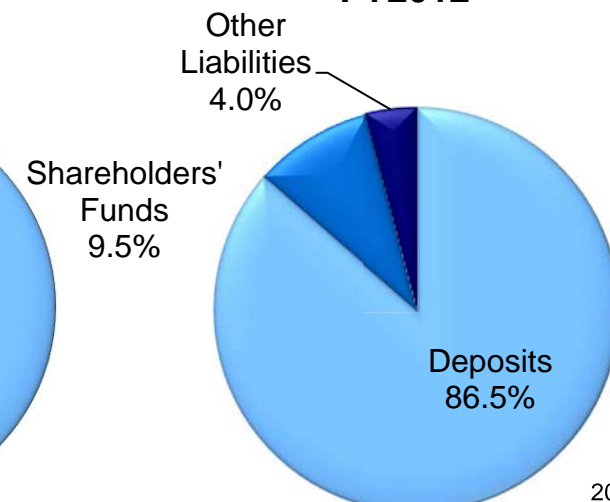
FY2012*



FY2013



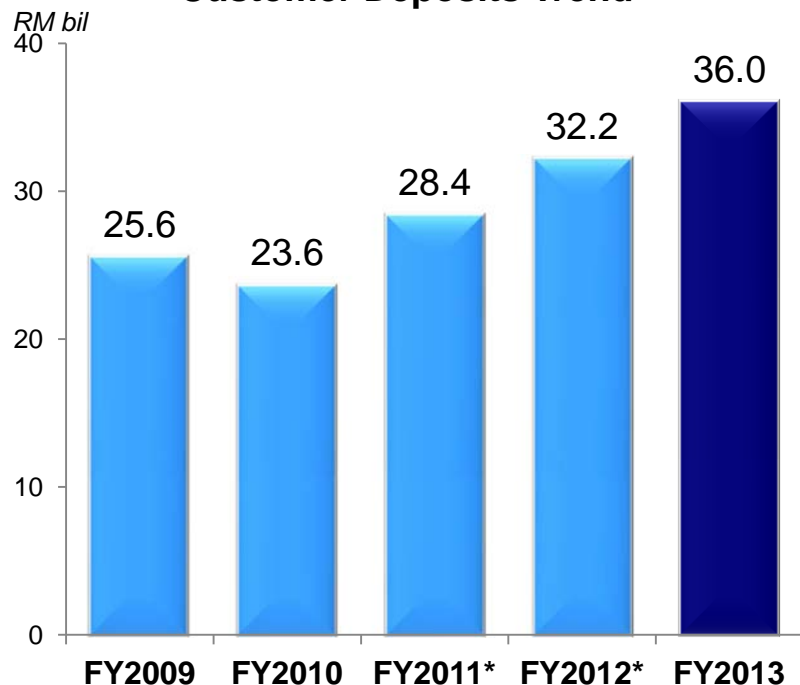
FY2012*



☐ Total assets expanded by RM4.0 billion or 10.0% y-o-y

11.9% Growth in Customer Deposits, with CASA ratio at 33.6%
Steady growth in CASA deposits of 11.6% to RM12.1 billion

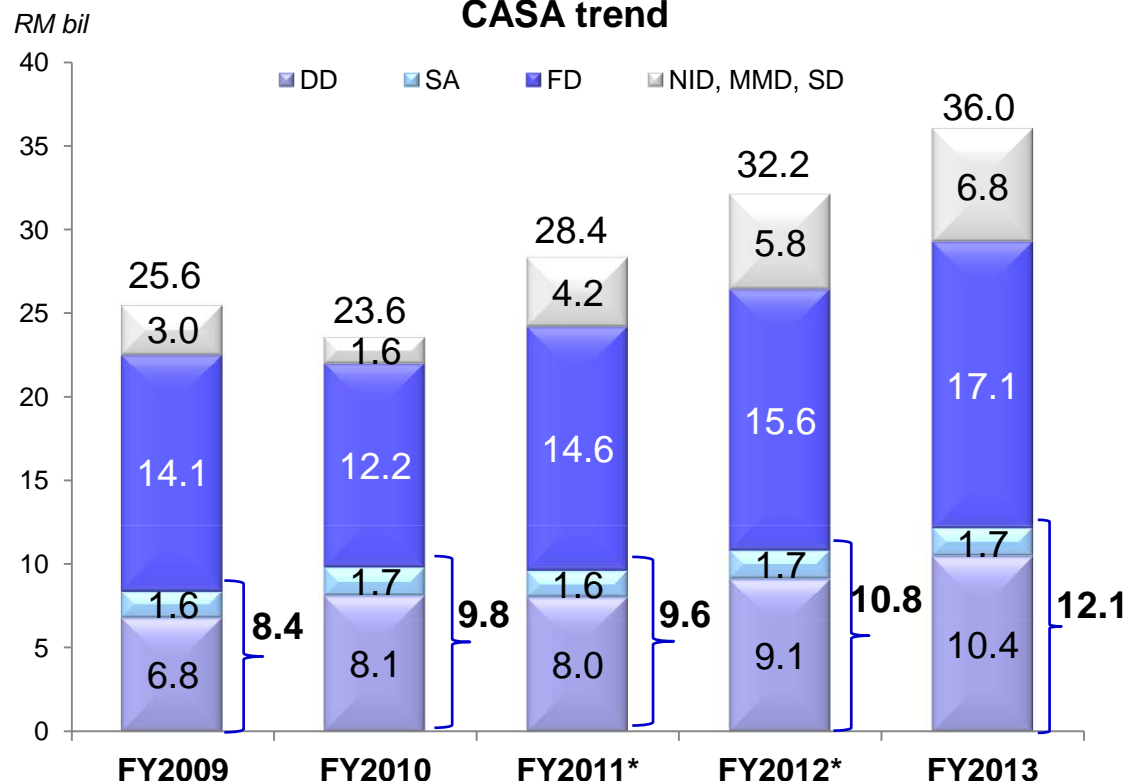
Customer Deposits Trend



FY2013 growth
+ RM3.8 bil
+ 11.9%

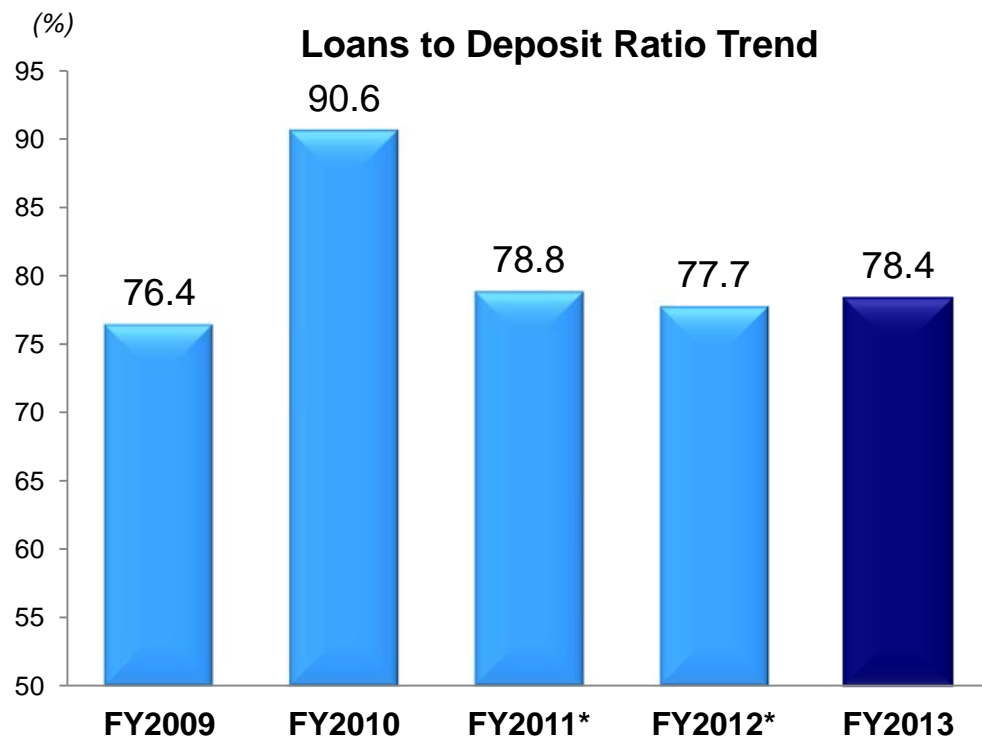
FY2012 growth
+ RM3.8 bil
+ 13.4%

CASA trend



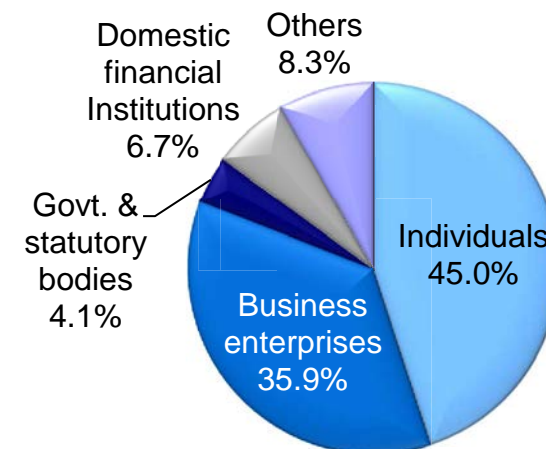
- ❑ Total customer deposits of RM36.0 billion as at FY2013
- ❑ CASA deposits expanded by RM1.3 billion in FY2013
- ❑ 33.6% of funding from CASA
- ❑ Reduced high cost money market deposits

Strong liquidity position with Loans to Deposits Ratio at 78.4%

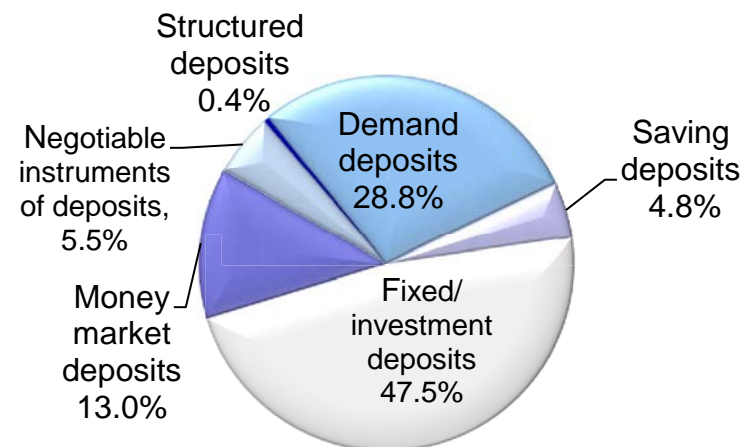


- ❑ Raised Loans to Deposit Ratio to 78.4% as at March 2013
- ❑ Our overall strategy is to eventually raise Loans to Deposit ratio closer to 85.0%:
 - for more efficient balance sheet management; and
 - to be in line with industry

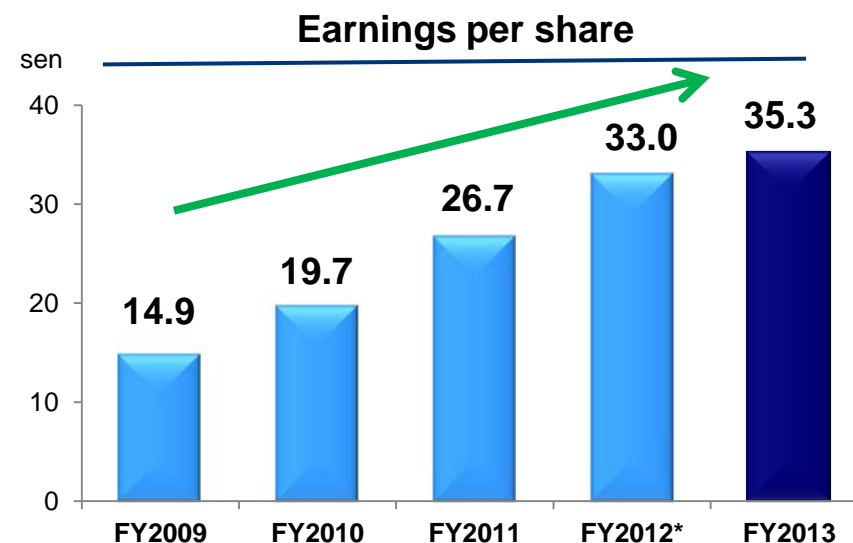
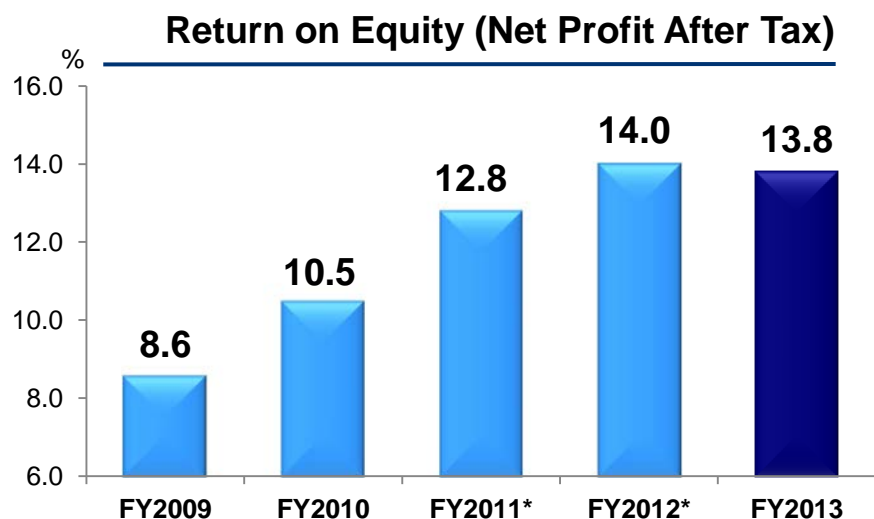
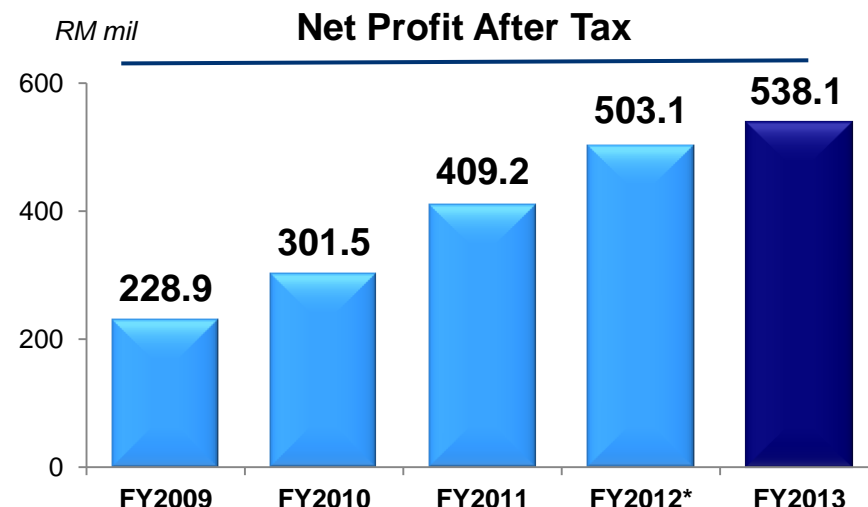
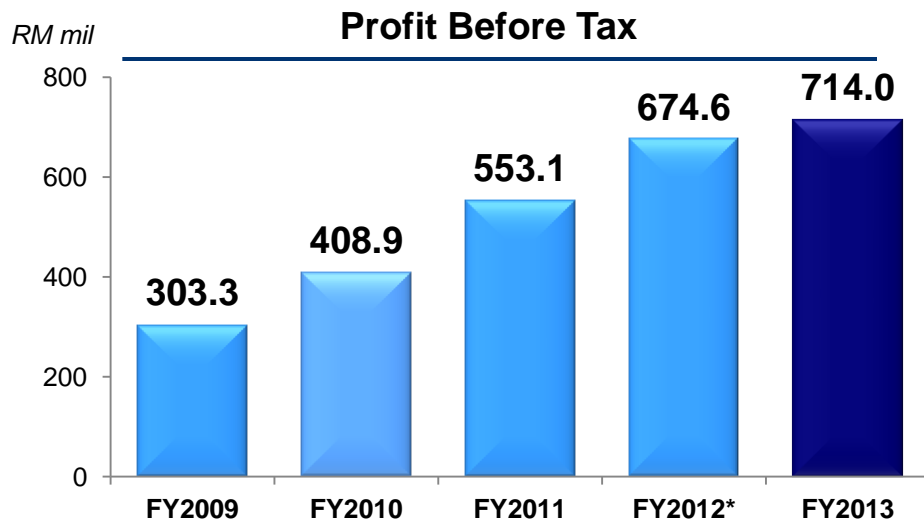
Deposits Composition by Customer Type



Deposits Composition by Product Type

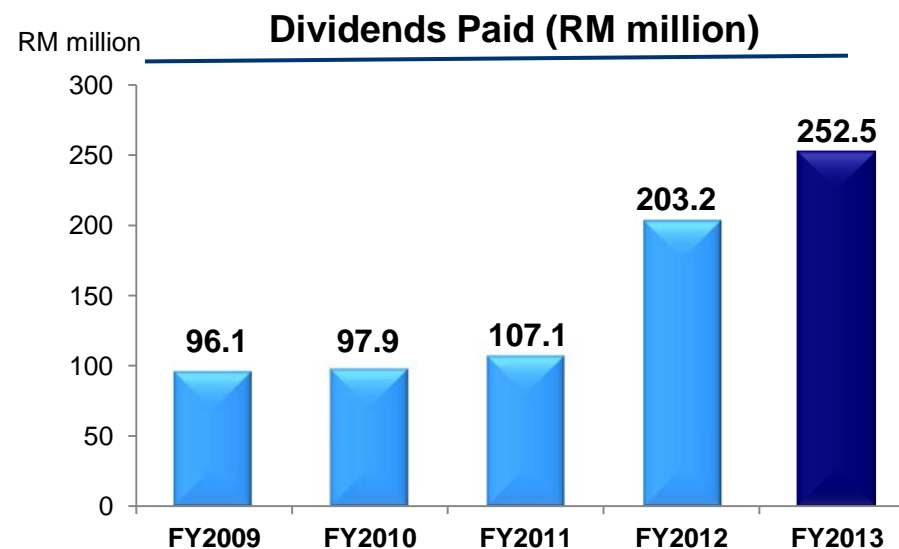
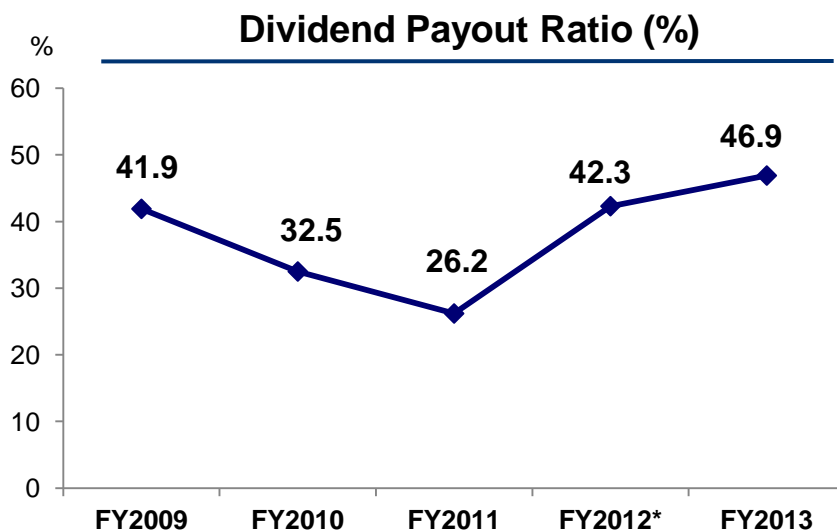
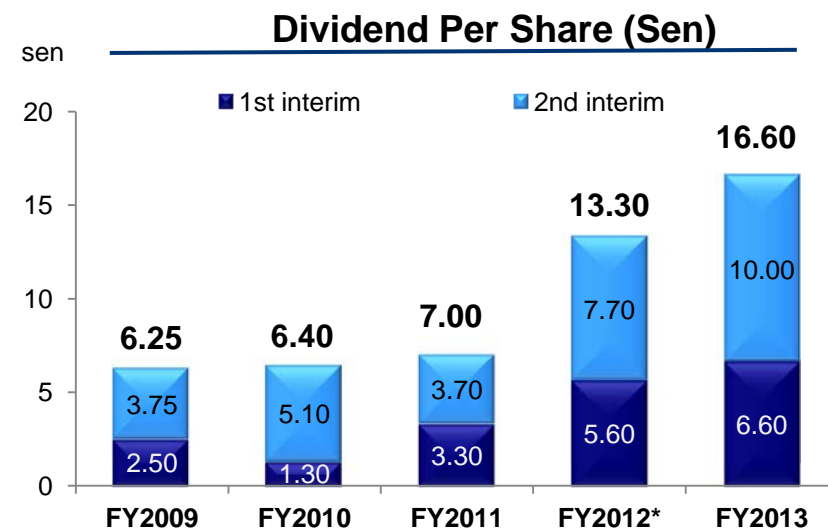
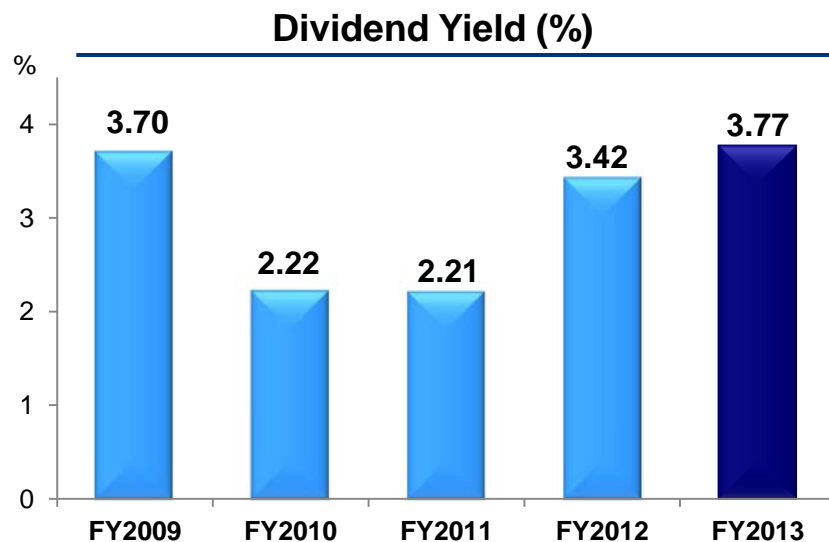


Return on Equity stood at 13.8%, with Earnings per Share registering consistent y-o-y growth



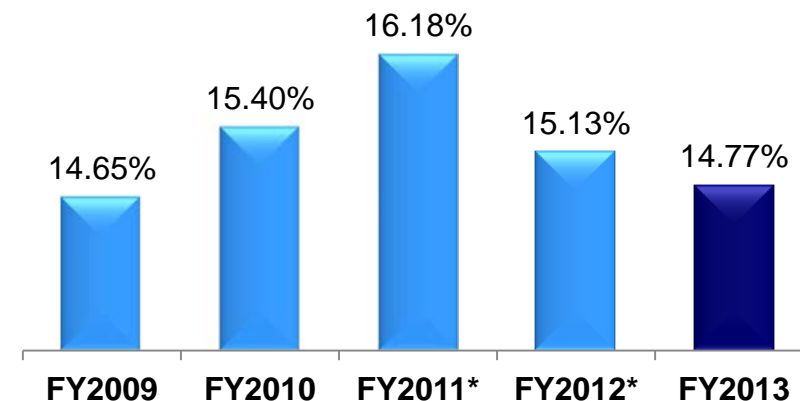
Note : * Restated for MFRS 139. Shareholders' funds increased by RM96.52 million from write back of collective provisions with adoption of FRS139

FY13: Progressively raising Dividend Payout in line with policy of paying up to 50% of Net Earnings



Basel III: Capital Adequacy Ratios by Legal Entities

Legal Entities	CET 1 Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio
AFG	10.62%	12.06%	14.77%
ABMB	11.51%	12.90%	12.90%
AIS	12.32%	12.32%	13.11%
AIBB	94.96%	94.96%	95.12%
Basel III Minimum regulatory capital adequacy ratio	4.5%	6.0%	8.0%

Risk Weighted Capital Ratio


- Strong profit generation capacity to fund balance sheet expansion and targeted dividend payouts
- Continuous enhancement of capital usage by focusing on:
 - Less capital intensive lending activities – Consumer, Mortgage and SME lending
 - Non-interest income and fee based activities – Wealth Management and Transaction Banking
 - Improving asset quality
- Capital adequacy ratios are well above Basel III requirements

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Aspirations**How We Achieve Aspirations****Implemented in FY2013**

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

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

**Enhancing cost efficiency &
productivity**

- ✓ Re-organised Business Banking for accelerated SME growth
- ✓ Re-commenced Hire Purchase business
- ✓ Centralising functions and improvement via process re-engineering

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

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

**Delivering excellent customer
service and experience**

- ✓ Upgraded internet banking platform
- ✓ Implemented new integrated MIS and finance infrastructure
- ✓ Formulated branch distribution strategy to provide seamless customer service across all customer touch points

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

**Reinforcing governance and
compliance oversight**

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

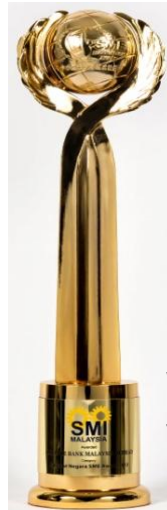
- ✓ Enhanced risk management framework for ICAAP compliance
- ✓ Launched new vision, mission and core values
- ✓ Continuing to build a strong performance culture, to retain and attract best talent



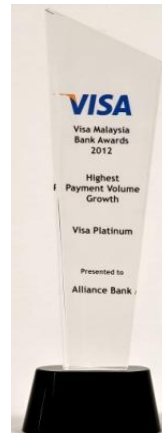
**Financial Insights
Innovation Award**
"Excellence in SME
Banking" 2012



**Enterprise & IT
Architecture
Global Excellence
Awards 2012**
"SOA Vision for
Enterprise Services"



Sahabat SME Award
Won for 3 consecutive
years: 2010, 2011 & 2013



**VISA Malaysia Bank
Awards 2012**
Highest Payment Volume
Growth for Visa Platinum
Card



**Malaysia's 100
Leading Graduate
Employers 2012**
76th Place



**THE ASIAN BANKER®
EXCELLENCE IN
RETAIL FINANCIAL SERVICES
INTERNATIONAL AWARDS 2013**
BEST SME BANK

23rd Place
**Malaysia's Most
Valuable Brands '12**



**Banking &
Payments ASIA
TRAILBLAZER AWARDS**

"Service Excellence in SME
Banking" &
"Service Provider Excellence in
Virtualization"



advertising+marketing MAGAZINE'S
MARKETING EXCELLENCE AWARDS 2013

**AWARD WINNER
GOLD**

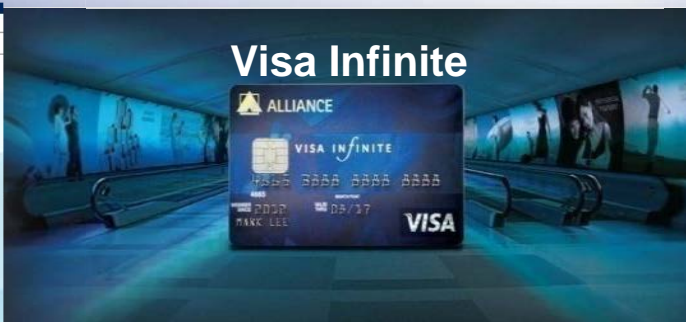
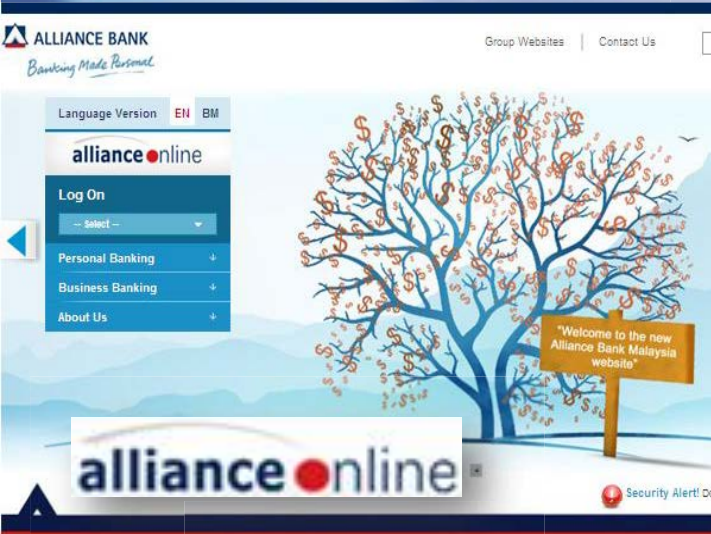
**Excellence in Consumer Insights/Market
Research/Data-Driven Marketing**



advertising+marketing MAGAZINE'S
MARKETING EXCELLENCE AWARDS 2013

**AWARD WINNER
SILVER**

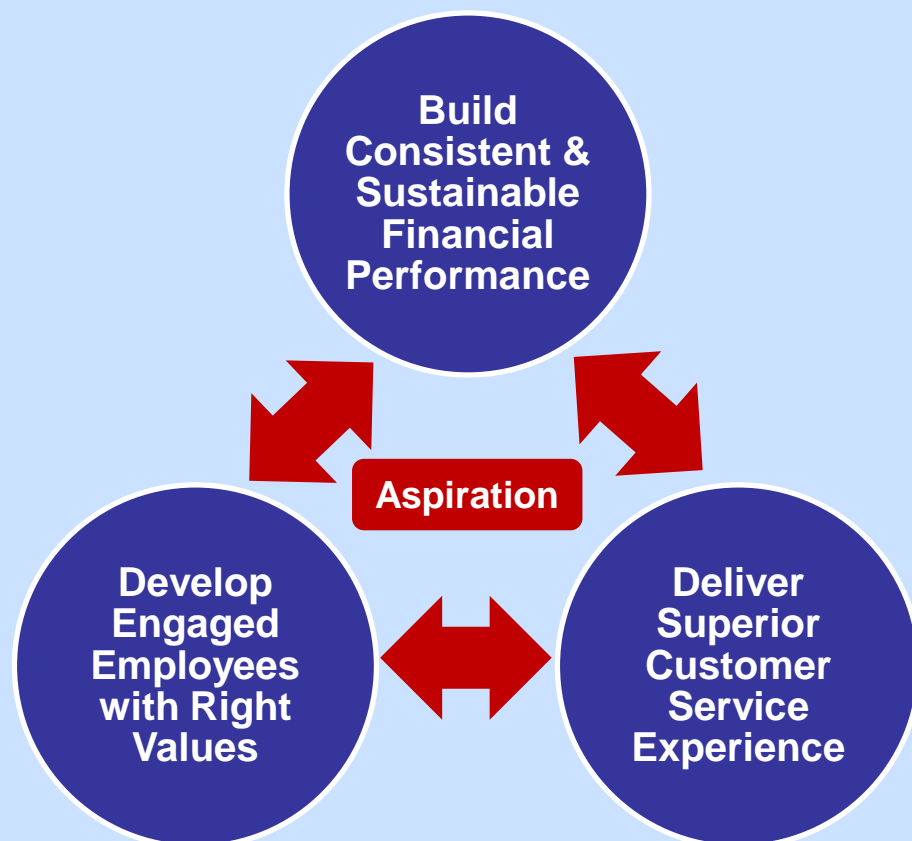
Excellence in CRM & Loyalty Marketing



FY2014 Strategic initiatives aligned with Group's Medium Term Targets FY2012 – FY2015 of Delivering Consistent and Sustainable Financial Performance

FY2014 Expectations

- GDP growth of 5.5%
- OPR to remain unchanged at 3.0%
- ETP investment momentum to accelerate



Our Priorities

- Continue building on our strengths and niche position in Consumer and Business Banking to grow revenue
- Continue cross-selling and product bundling and strengthen relationships with customers in target segments
- Enhance customer service, productivity and efficiency through integrated multi-channel distribution strategy
- Ensure impactful investments in technology and infrastructure
- Strengthen investment banking and Islamic banking capabilities

..... We will continue to exercise caution & vigilant risk management to deliver consistent & sustainable financial performance.....

THANK YOU

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