ALLIANCE FINANCIAL GROUP BERHAD (6627-X)

Banking Made Personal

ANALYST BRIEFING

1st Quarter 2013

15 August 2012

Our Business Model remains unchanged: "To Build Consistent and Sustainable Financial Performance"

Line of Business

Consumer Banking	Business Banking	Financial Markets	Investment 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

FY2013 Business Plans focus on:

Our Aspirations

A To Build "Consistent & Sustainable Financial Performance"

B To Deliver "Superior Customer Service Experience"

C To Develop "Engaged Employees with Right Values"

How?

- Generate recurring revenue from existing / new business, within our risk appetite
- 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
- Enhancing cost efficiency & productivity

Who?

All areas within the Group:

Business Units

- Consumer Banking
- Business Banking
- Transaction Banking
- Investment Banking
- Islamic Banking
- Financial Markets

Support Units

- Credit
- Risk Management
- Compliance
- Finance
- Corporate Strategy
- IT, Operations
- Human Resource
- Internal Audit

Our Vision, Mission & Core Values

July 2012: Launched our Vision, Mission and Core Values to build long-term sustainable growth.

Vision

To Be The Best Customer Service Bank

Mission

To Build Consistent & Sustainable Financial Performance

How? Continuously improving the way we work; pursuing growth within our Risk Appetite, not at the expense of cost, risk & reputation

To Deliver Superior Customer Experience

How? Combining depth of local knowledge, courage and creativity to serve our customers better

To Develop Engaged Employees With The Right Values

How? Focused on attracting talents, building the right values and skills in serving our customers better

Core Values

Respect

We are fair in all matters, always listening and valuing the contributions of each individual

Integrity

We are trustworthy, sincere , and take ownership of our actions

Teamwork

We are a champion team, not a team of champions

Excellence

We have the courage to do the right thing, and we do it right the first time

Brand promise

"BANKING MADE PERSONAL"

Medium Term Targets

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

		FY2012*	1QFY2013
Asset Quality	… gross impaired loans to be better than industry average	2.5%	2.4%
Non Interest Income Ratio	… to increase non-interest income to 30% of total revenue	27.0%	27.3%
Cost to Income Ratio	… move to industry average (45% - 48%) through: • targeted revenue growth • improved productivity	47.6%	50.5%
Return on Equity	… achieve industry average (14% - 16%) through: • focus on underlying earnings momentum • effective capital management	14.0%	13.0%
Dividend Policy	… pay up to 50% of net profits after tax, subject to regulatory approvals and strong capital ratios	40.4%	Interim Dividend 6.6 sen

*Note * Restated for MFRS 139*

Transition to MFRS Framework – Adoption of MFRS139 effective 1 April 2012.

	Restated March 2012	Previously Reported March 2012	Variance
Shareholders Fund (RM mil)	3,771.9	3,675.3	96.52
Tier 1 capital ratio	11.88%	11.52%	0.36%
RWCR	15.13%	15.22%	-0.09%
Loan Loss Coverage	87.7%	108.5%	-20.8%
Return on equity (net of tax)	14.0%	13.6%	+0.4%
Earnings per share	33.0 sen	31.5 sen	+1.5 sen

Retrospective application of MFRS139 also resulted in the restatement of the comparative financial statements

- Lower collective assessment allowances which resulted in:
  - Excess in brought forward collective assessment allowance and the corresponding write back of such excess to the retained earnings.
  - Lower collective assessment allowance charged in the income statement.
- The write back of the excess collective assessment allowance as at 1 April 2012 has:
  - Increased shareholders funds by RM96.52 million.
  - Enhanced the Group’s common equity Tier 1 capital ratio by 0.36%.
  - Increased the Return on Equity by 0.4%.

1QFY2013: Key Financial Ratios

Key performance metrics are improving in the right direction.

	1QFY13 30.6.2012	1QFY12 Restated	Change
Profitability/ Efficiency Ratio			
Return on Equity	**13.0%**	14.8%	-1.8%
Return on Assets	**1.2%**	1.4%	-0.2%
Non-Interest Income Ratio	**27.3%**	26.6%	+0.7%
Cost-to-Income Ratio	**50.5%**	46.9%	-3.6%
Balance Sheet & Asset Quality			
Net Loans Growth (y-o-y)	**12.9%**	7.9%	+5.0%
Net Impaired Loans	**1.3%**	1.8%	-0.5%
Loan Loss Coverage Ratio	**86.6%**	79.9%	+6.7%
Liquidity & Capital Ratio			
CASA Ratio	**35.6%**	35.5%	+0.1%
Loan to Deposit Ratio	**81.8%**	80.1%	+1.7%
Risk Weighted Capital Ratio	**14.70%**	15.29%	- 0.59%
Core Capital Ratio	**11.57%**	11.73%	- 0.16%

Note: Restated for MFRS, where applicable

Key Highlights

- Return on Equity lower due to 8.2% increase in shareholders' funds.
- Non-interest income improved to 27.3%, driven by recurring fee income.
- Cost-to-income ratio to normalise in coming quarters.
- Loans growth accelerated.
- Stable asset quality.
- CASA ratio maintained.
- Loans to deposits ratio improved - effective asset liability management.

Summarised Income Statement

4% Top Line Revenue Growth, but offset by rise in operating expenses.

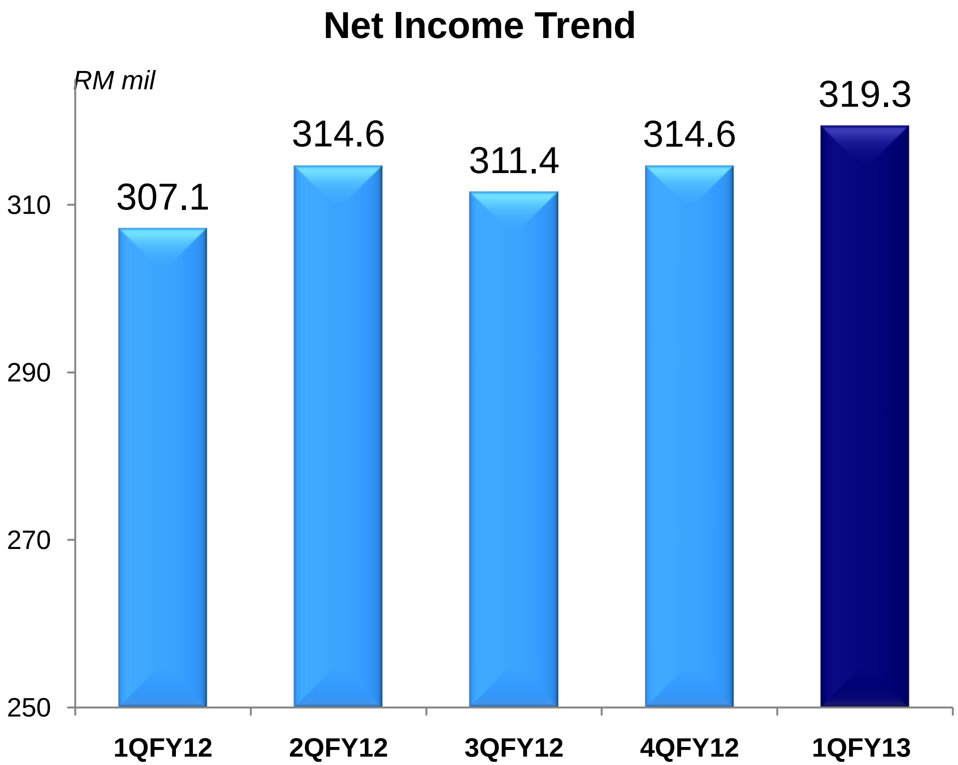
	1QFY13 RM mil	1QFY12 RM mil (Restated)	Change	
			RM mil	%
Net Interest & Islamic Banking Income	**237.0**	227.9	9.1	+4.0%
Non-Interest Income	**82.4**	79.2	3.2	+4.0%
Net Income	**319.3**	307.1	12.2	+4.0%
Operating Expenses	**161.1**	144.1	17.0	+11.8%
Operating Profit	**158.2**	163.0	-4.8	-2.9%
Write-back of loans and impairment provisions	**9.3**	11.8	-2.5	-21.4%
Pre-tax profit*	**166.4**	174.1	-7.7	-4.4%
Net Profit After Taxation	**124.6**	130.0	-5.4	-4.2%

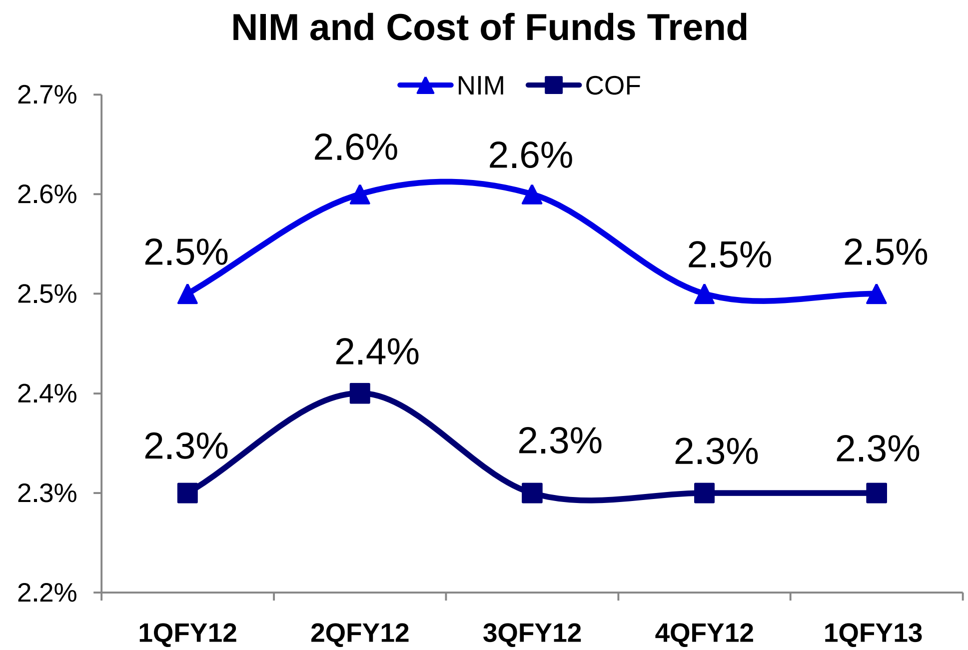
- 4.0% expansion in revenue driven by:
  - Net interest income due to 12.9% expansion in net total loans, but offset by lower yield from investment securities.
  - Non-interest income due to recurring transaction banking, treasury sales and wealth management.
- Operating expenses higher due to
  - 11.8% rise in operating expenses due to continuous investment in human capital & IT infrastructure to support business growth.
- Lower write-back of loans and impairment provisions of RM9.3 million.

** Include share of results of associate*

Net Interest Income

Sustainable Interest income and margin.



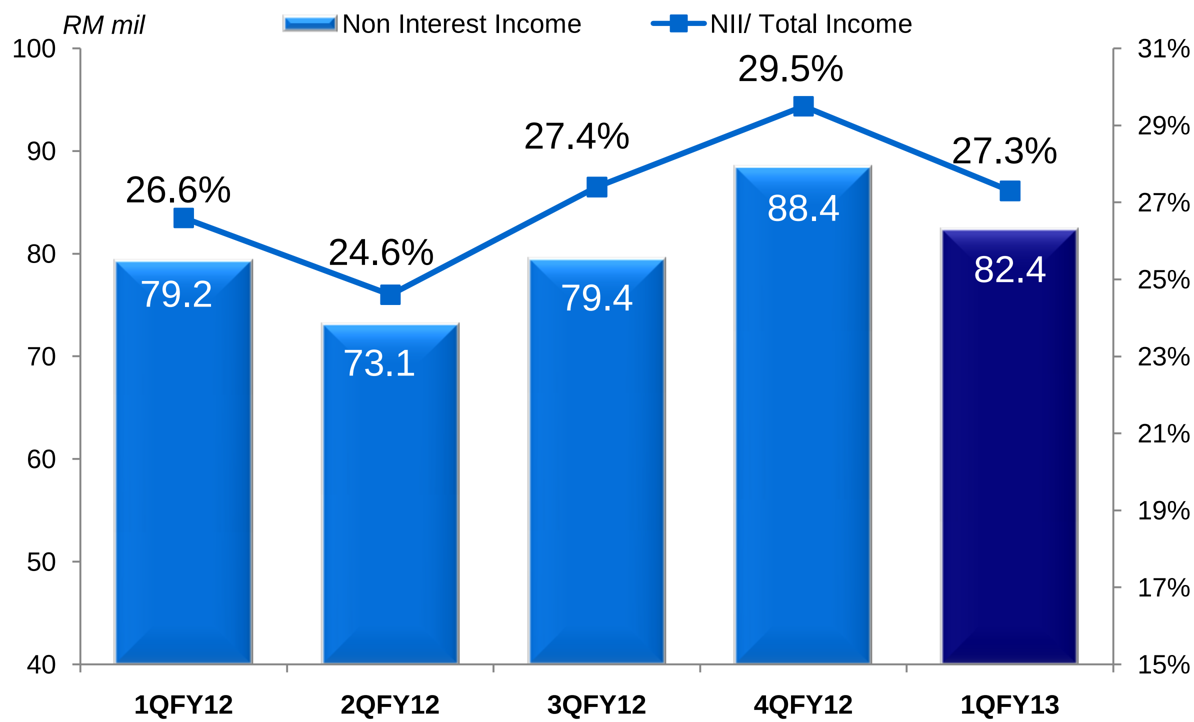


1QFY13 vs 1QFY12	1QFY13 vs 4QFY12
+ RM12.3 mil	**+ RM4.8 mil**
+ 4.0%	**+ 1.5%**

- Net income increased over 1QFY12 by RM12.3 million (+4.0%) due to loans growth.
- Overall net interest margin ("NIM") contracted by 5 bps in current quarter due to loan composition mix and competitive pressure on loan yields and funding cost.
- Higher cost of funds due to the follow through impact of increase in SRR by 2% to 4% between April to July 2011.

Non Interest Income gaining momentum.

Non-Interest Income Trend

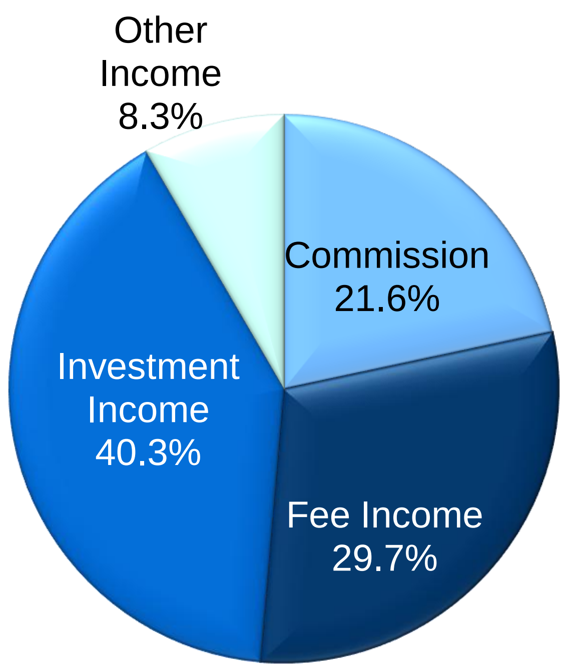


1QFY13 vs 1QFY12	1QFY13 vs 4QFY12
+ RM3.2m	**- RM6.1 mil**
+ 4.0%	**- 6.9%**

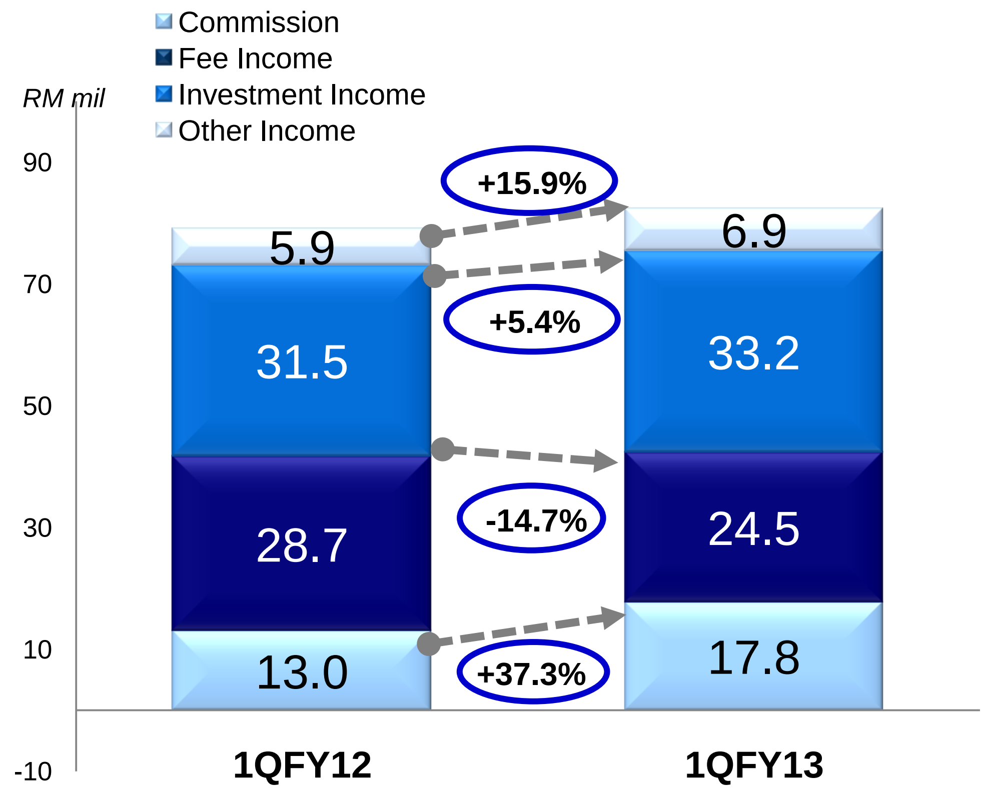
- Continuing to build recurring non-interest income from treasury sales, wealth management and trade finance.
- RM3.2 million or 4% increase over 1QFY12.
- Non-interest income ratio at 27.3%:
  - Higher than 26.6% achieved in 1QFY2012.
  - Higher than 27.0% achieved for FY2012.
- Bancassurance arrangement signed with AIA on 28 March 2012 being operationalised, with some early success in sale of investment linked insurance products and life policies.

Non Interest Income gaining momentum.

Non-Interest Income Composition (1QFY2013)



1QFY2013 Growth

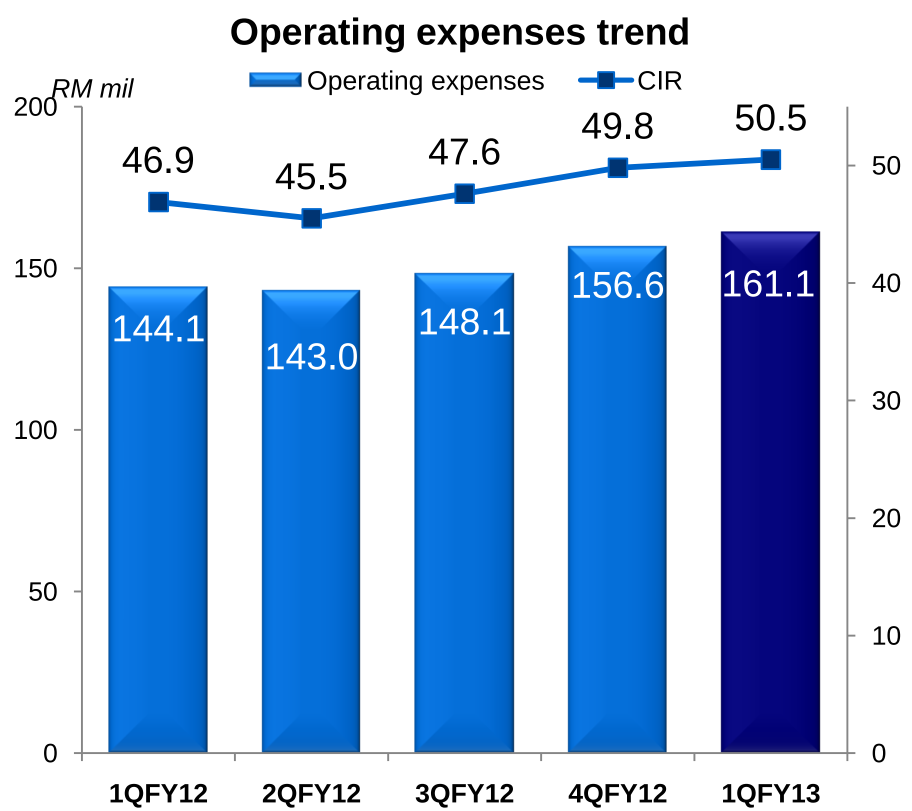


- The Non-Interest Income growth was mainly contributed from commissions from trade finance, wealth management, transaction banking and investment trading income mainly from more effective asset liability management of excess funds in fixed income securities, mainly Government securities.

Note: Investment income is inclusive of realised and unrealised gain /loss reflected under other income, as this relates to treasury activities

Operating Expenses

Cost-to-income ("CIR") is 50.5% due to investment in human capital and IT infrastructure.



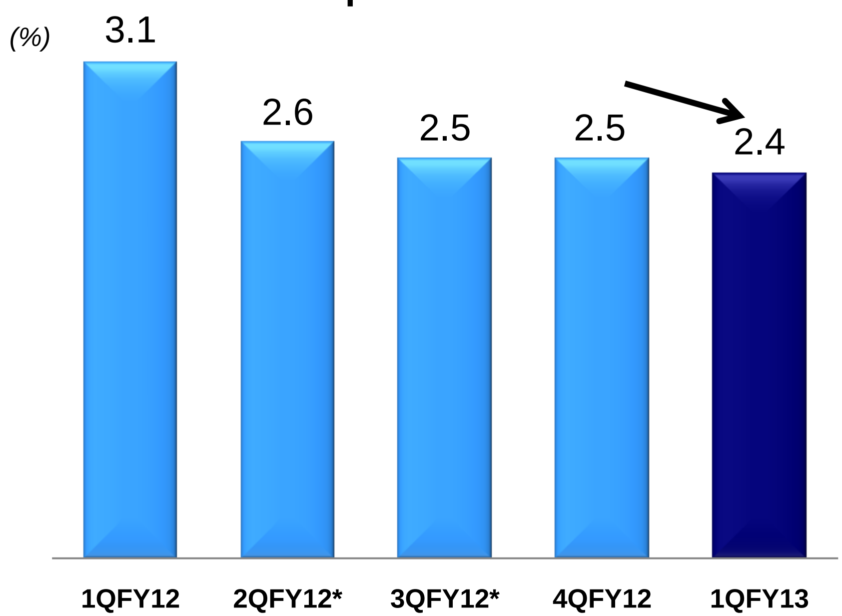
1QFY13 vs 1QFY12	1QFY13 vs 4QFY12
+ RM17.0 mil	**+ RM4.5 mil**
+ 11.8%	**+ 2.9%**

OPEX	1QFY13 RM mil	1QFY12 RM mil	Variance	
			RM mil	%
Personnel costs	106.5	92.9	13.6	14.6
Establishment costs	36.1	35.5	0.5	1.5
Marketing expenses	5.1	4.5	0.6	13.2
Administration expenses	13.4	11.1	2.3	20.8
Total	**161.1**	**144.1**	**17.0**	**11.8**

- Higher operating expenses as the Group continues to invest in human capital and IT infrastructure to support the business growth.
- Personnel cost at 66% of the total remains the main operating cost.
- Although cost-to-income ratio rose to 50.5% in current quarter, expected to moderate in coming quarters as business initiatives contribute to income – quarterly trend does fluctuate.

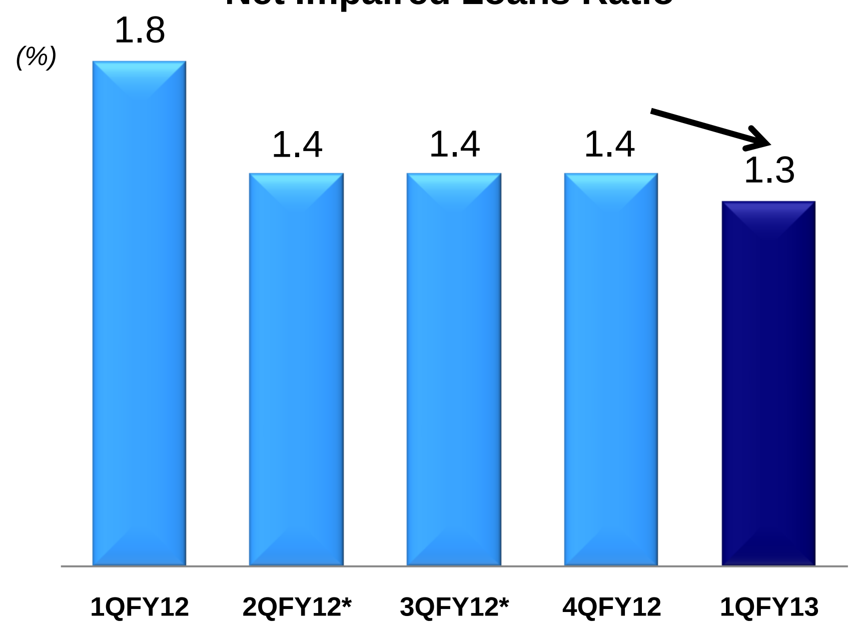
Despite challenging external environment, further improvement in asset quality with disciplined approach in credit risk management and collection processes.

Gross Impaired Loans Ratio



Q1FY13 vs Q1FY12	Q1FY13 vs Q4FY12
- 0.7%	**- 0.1%**

Net Impaired Loans Ratio



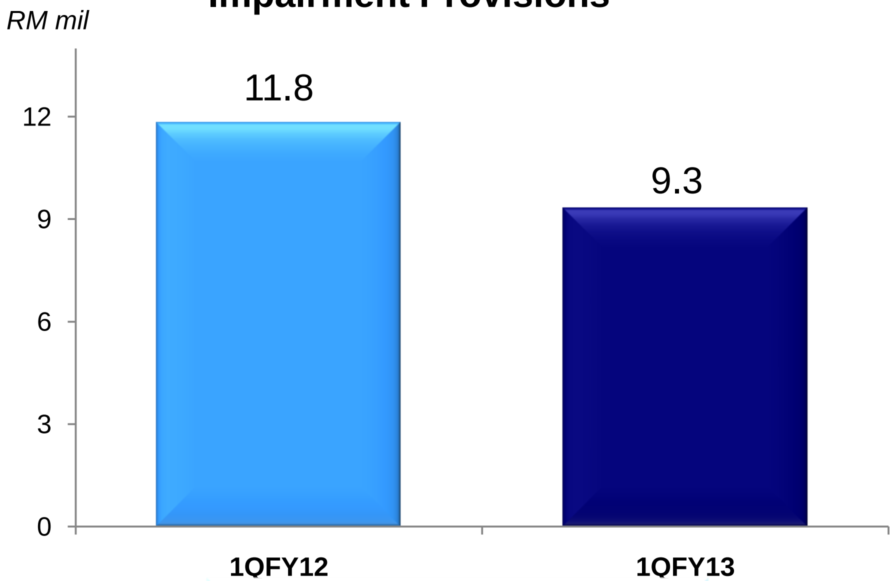
Q1FY13 vs Q1FY12	Q1FY13 vs Q4FY12
- 0.5%	**- 0.1%**

- Gross impaired loans ratio improved to 2.4% due to a reduction in impaired loans to RM611.9 million.
- Net impaired loans ratio improved to 1.3%, from 1.8% as at June 2011.

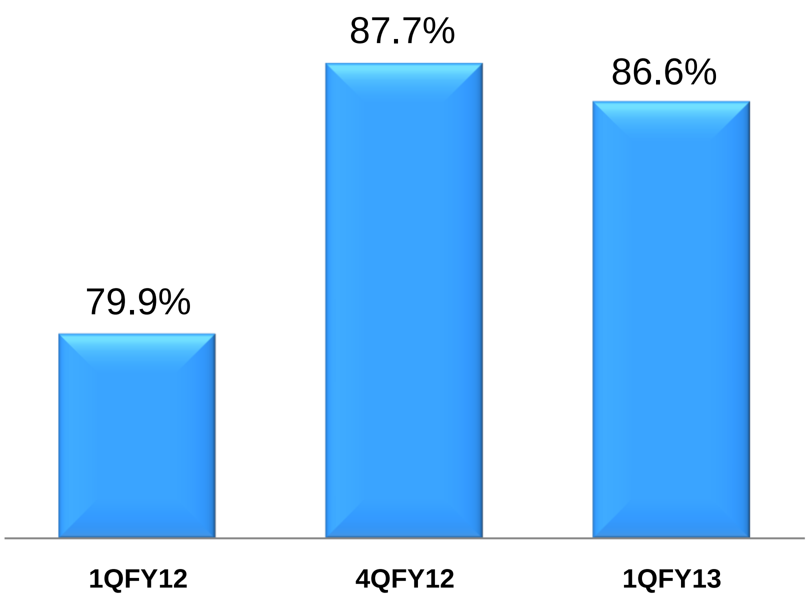
** Figures have not been restated*

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

MFRS 139: Net Write Back of Loans & Impairment Provisions



Loan Loss Coverage

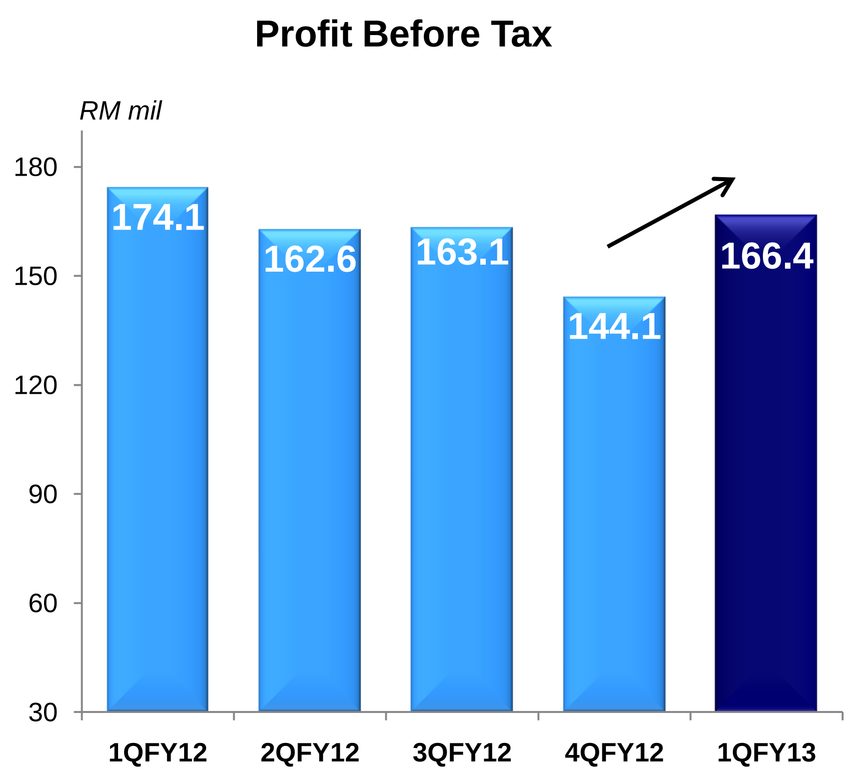


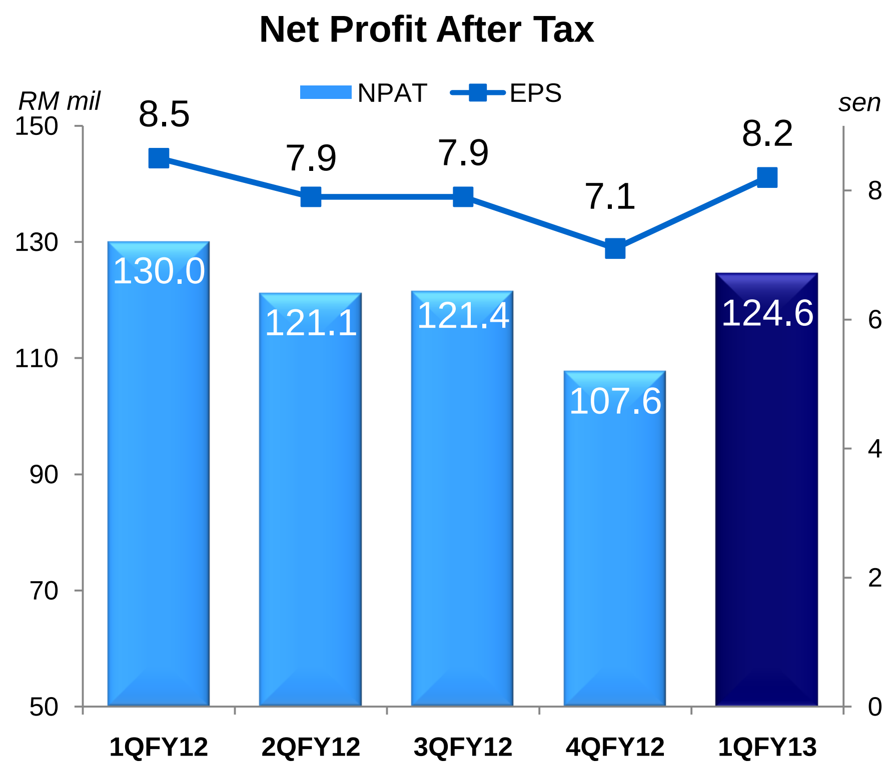
1QFY13 vs 1QFY12
- RM2.5 mil
- 21.4%

Note: CLO recoveries amounted to RM0.5 million in 1QFY13 (Nil in 1QFY12)

- 1QFY13 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.

More than 15% improvement in profits over 4QFY12, but 4% lower than 1QFY12.





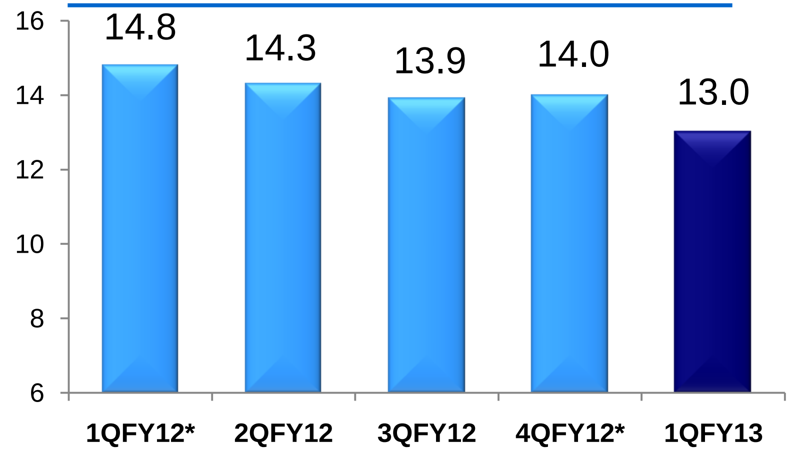
1QFY13 vs 1QFY12	1QFY13 vs 4QFY12
- RM 7.7 mil	**+ RM 22.3 mil**
- 4.4%	**+ 15.5%**

1QFY13 vs 1QFY12	1QFY13 vs 4QFY12
- RM 5.4 mil	**+ RM17.0 mil**
- 4.2%	**+ 15.8%**

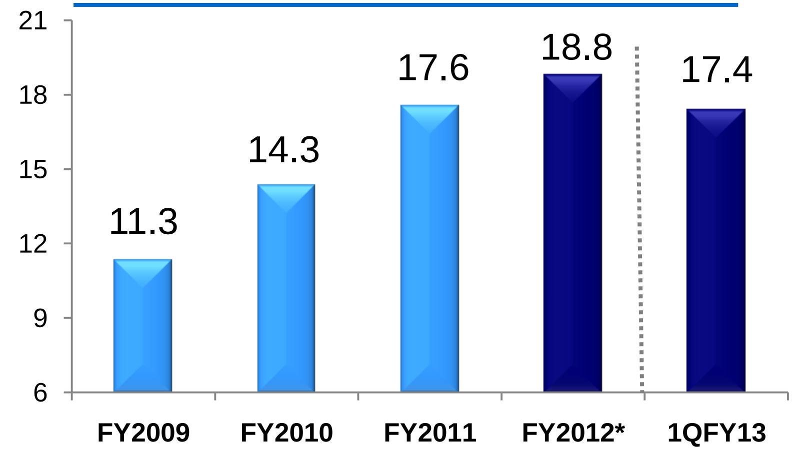
Enhance Shareholder Value

Increase in EPS and Dividend Payout. ROE affected by 11.4% increase in shareholders' fund.

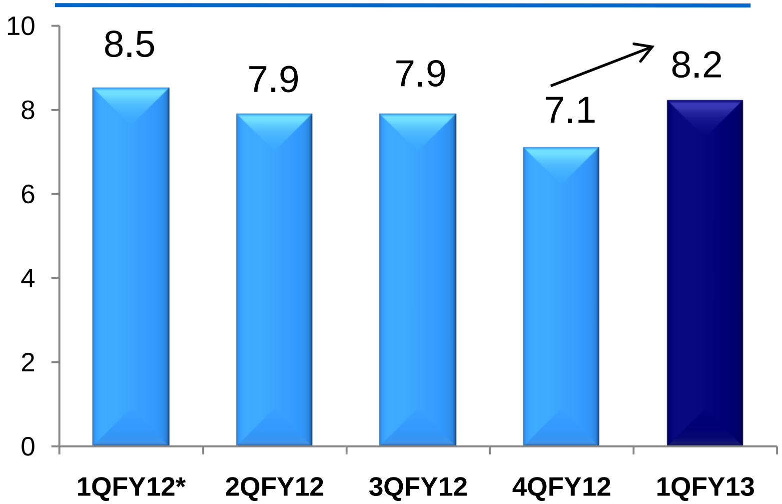
Return on Equity (Net Profit After Tax)



Return on Equity (Pre-Tax Profit)



Earnings per share (sen)



Dividends Paid

Dividends (sen)	Year				
	FY2009	FY2010	FY2011	FY2012	1QFY2013
1st Interim	2.50	1.30	3.30	5.60	6.60
2nd Interim	3.75	5.10	3.70	7.70	n.a.
Total	**6.25**	**6.40**	**7.00**	**13.30**	**6.60**
Payout Ratio %	**41.9%**	**32.5%**	**26.2%**	**40.4%**	**n.a**

*Note * Restated for MFRS 139*

Summarised Balance Sheet

1QFY2013: Total assets expanded 4.8% to RM40.1 billion, driven by loans growth.

RM billion	Q1FY13	Q1FY12*	Change	
			RM bil	%
Net Loans, Advances and Financing	**25.3**	22.4	2.9	+12.9%
Investment and Dealing Securities	**11.7**	13.2	-1.5	-11.4%
Deposits from Customers	**31.6**	28.3	+3.3	+11.7%
Total Assets	**40.1**	38.2	1.8	+4.8%
Shareholders' Funds	**3.9**	3.6	0.3	+8.2%

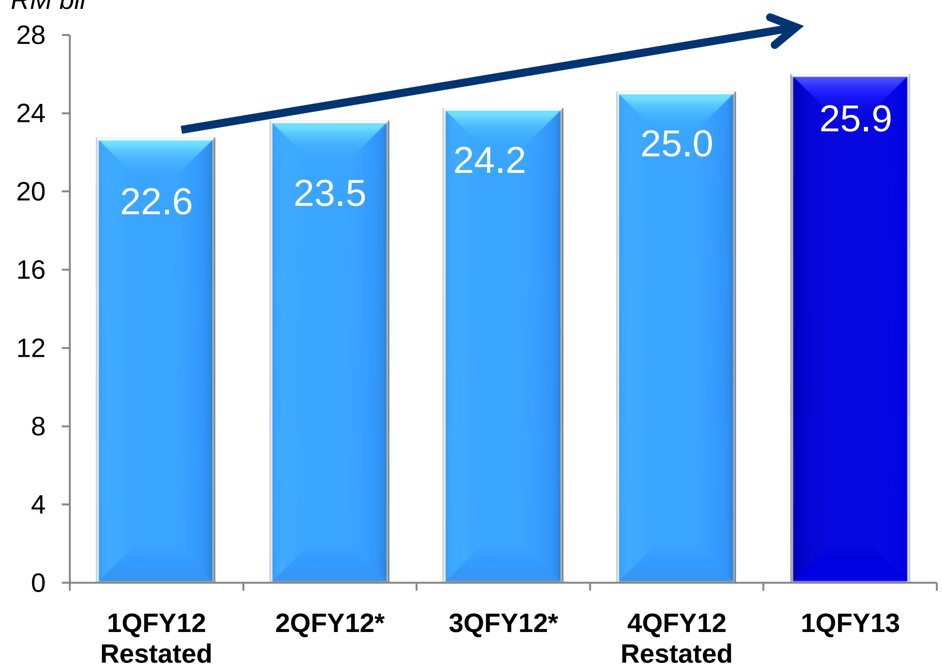
- Total assets expanded by 4.8% to RM40.1 billion.
- Loans account for 63% of total assets (1QFY12 – 58%).
- Net loans growth of 12.9% to RM25.3 billion, driven by Consumer and Business Banking.
- Investment and Dealing Securities now stands at RM11.7 billion, comprising mainly government securities.
- Healthy liquidity with customer deposits at RM31.6 billion.
- Shareholders' funds at RM3.9 billion, increased by 8.2%.

*Note * Restated for MFRS 139*

Gross Loans

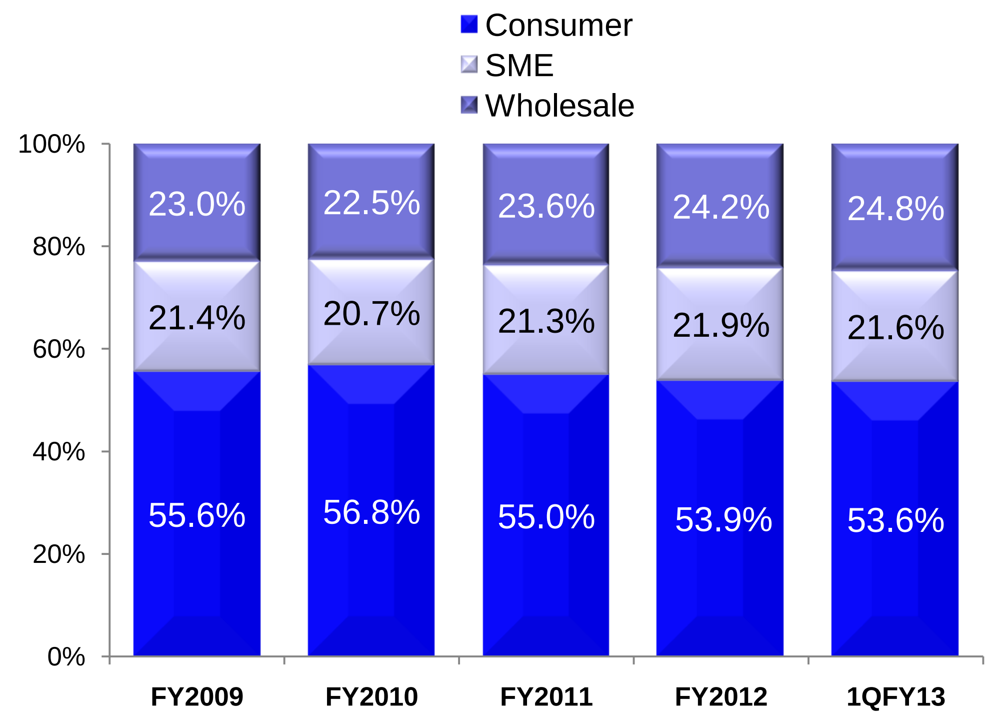
Loans growth momentum has accelerated to 14.2%, highest growth rate in recent years. Balanced Loans Portfolio – 53.6% Consumer & 46.4% from Group Business Banking.

Gross loans, Advances and Financing Trend



1QFY13 vs 1QFY12	1QFY13 vs 4QFY12
+ RM 3.2 bil	**+ RM0.8 mil**
+ 14.2% Y-o-Y	**+ 3.4% YTD**

Loans Composition by Business Segments



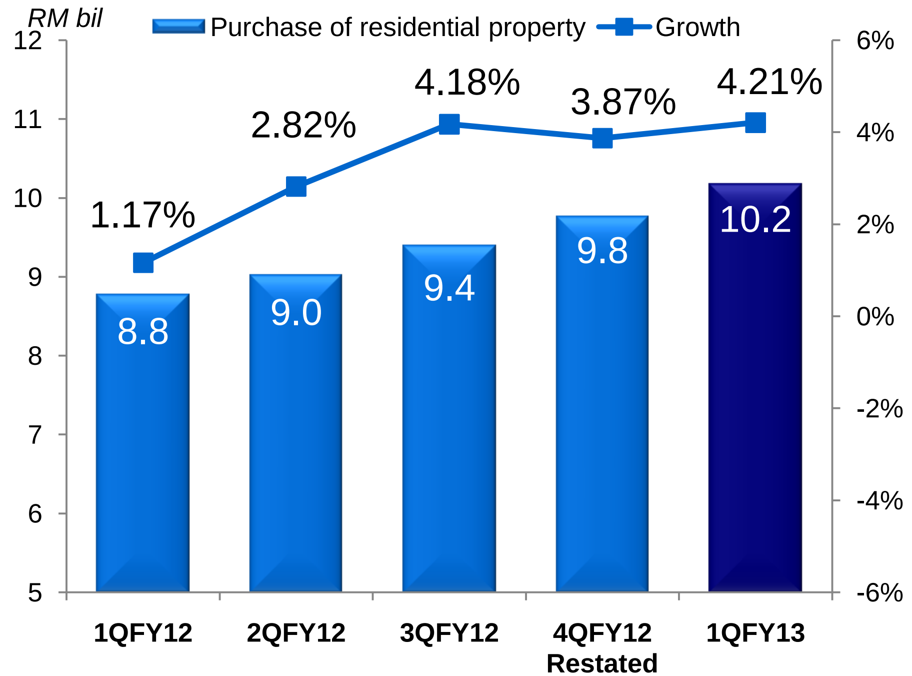
- Total loans portfolio stands at RM25.9 billion.
- Continuing to re-balance loans portfolio – consumer comprising 53.6% of total loans, down from 55.6% as at end-March 2009.
- Minimal exposure to fixed rate lending – 10% of total portfolio.

** Figures have not been restated*

Composition of Loans Portfolio

Loans for residential properties stand at RM10.2 billion, with 15.9% y-o-y growth.

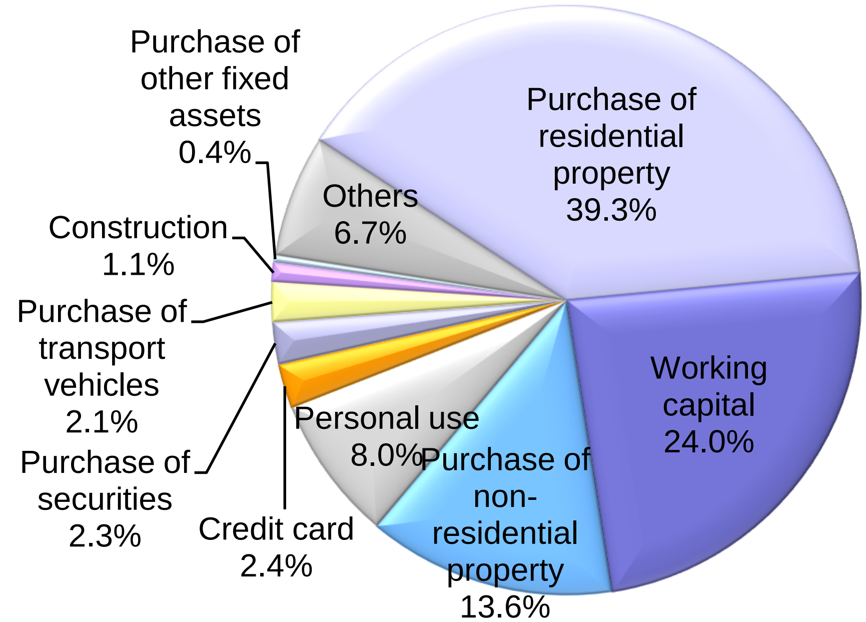
Loans Growth for Residential Property



1QFY13 vs 1QFY12	1QFY13 vs 4QFY12
+ RM1.4 bil	**+ RM0.4 bil**
+ 15.9%	**+ 4.2%**

- Growth of RM1.4 billion or 15.9%, mainly from previous year loan approvals.

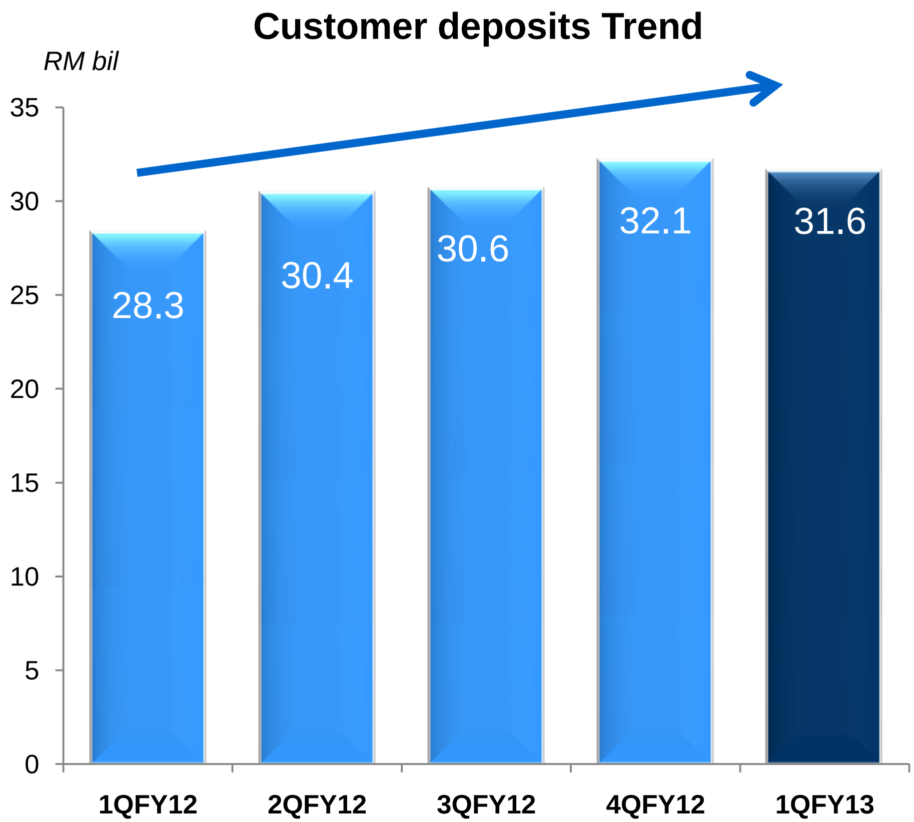
Loans Composition by Economic Purposes (1QFY13)

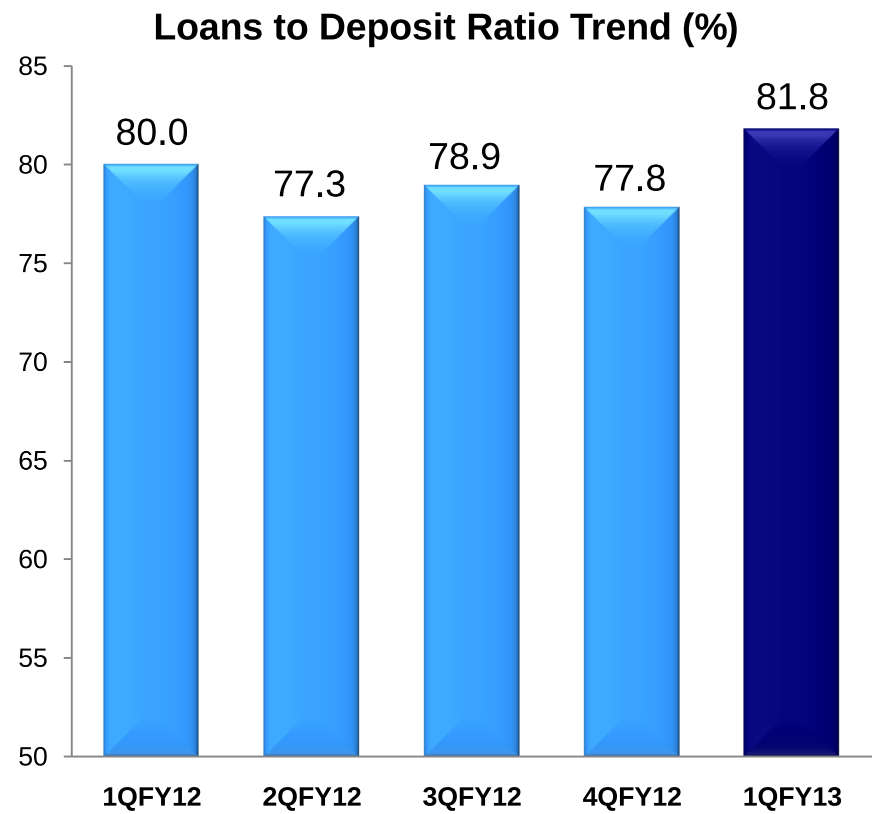


- 39.3% of loans portfolio is for residential properties.
- Well diversified portfolio, mainly for properties RM150,000 to RM750,000 in Klang Valley.
- Hire purchase disbursements picked up in current quarter as Group expanded into Hire Purchase.

Customer Deposits

11.7% Y-o-Y Growth in Customer Deposits, with Loans to Deposits Ratio at 81.8%.





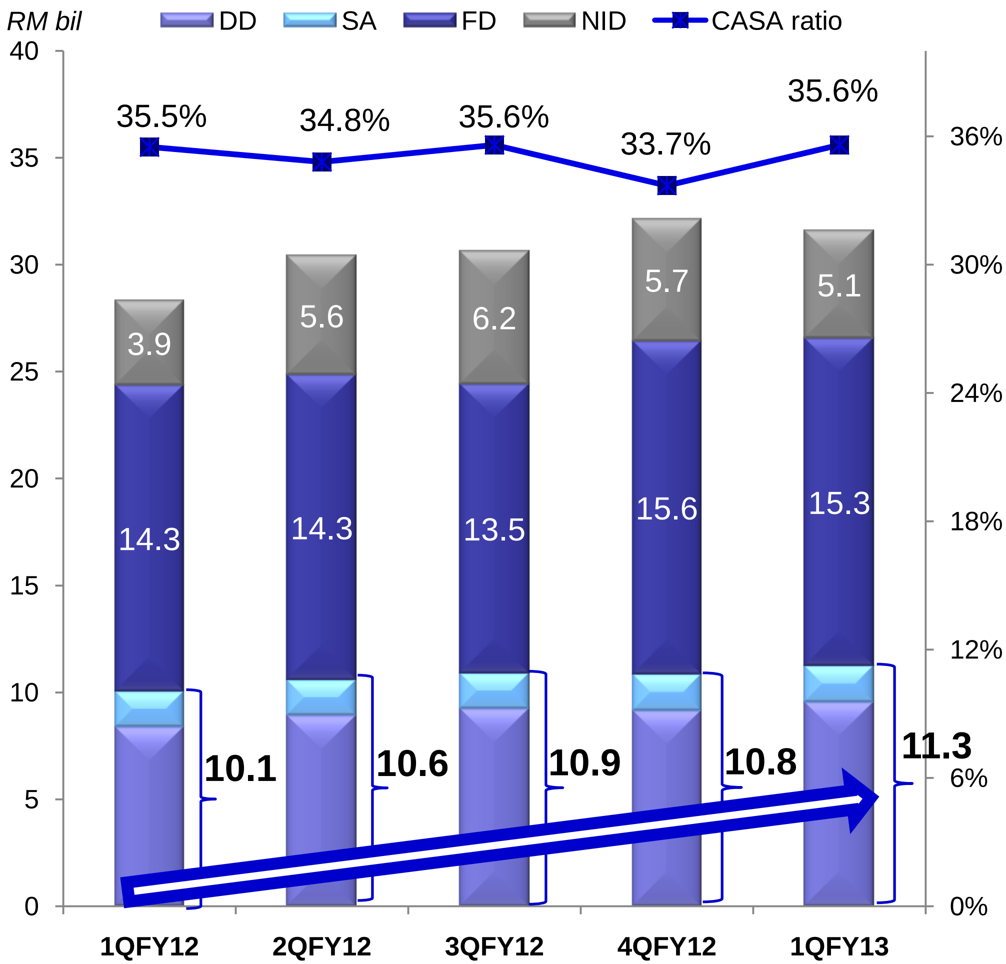
- Deposits growth of RM3.3 billion or 11.7% y-o-y.
- Strategy is to raise loans to deposits ratio to closer to 85% over time for more effective asset liability management.

- Loans to deposit ratio (LD ratio) remained healthy at 81.8% in 1QFY13, well below industry average

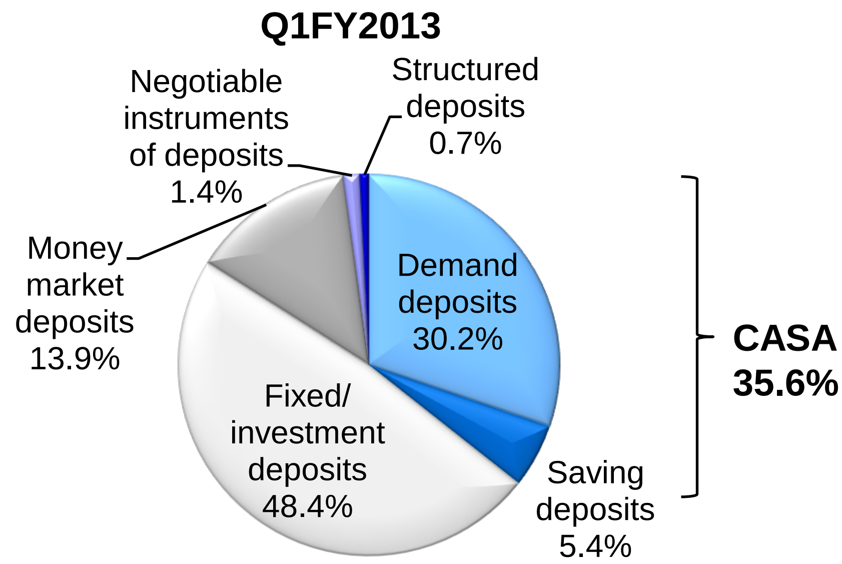
Composition of Customer Deposits

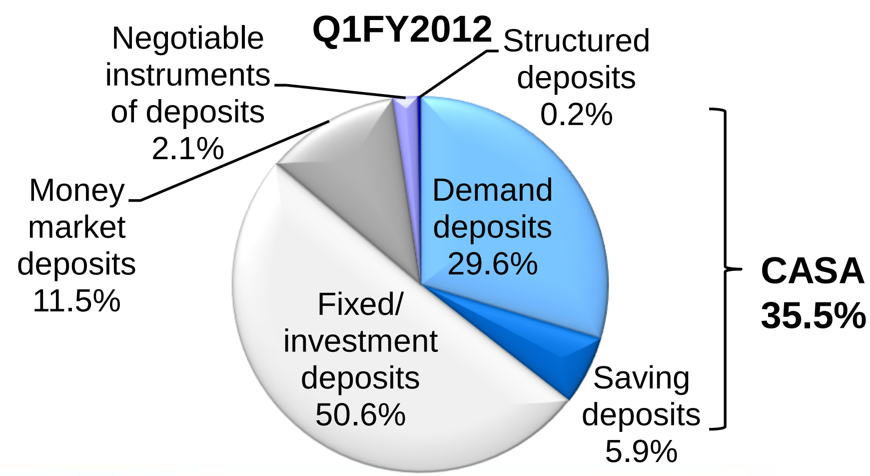
Steady growth in CASA deposits to RM11.3 billion, accounts for 35.6% of total deposits.

CASA trend



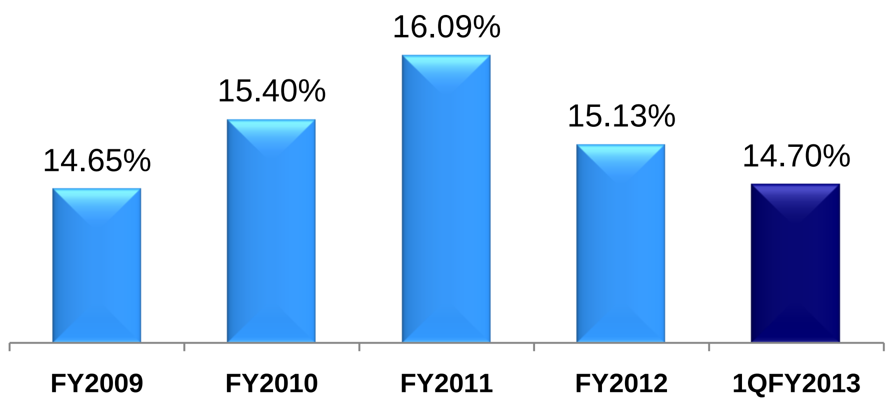
Composition of customer deposits





Capital ratios remained strong to meet Basel III requirements.

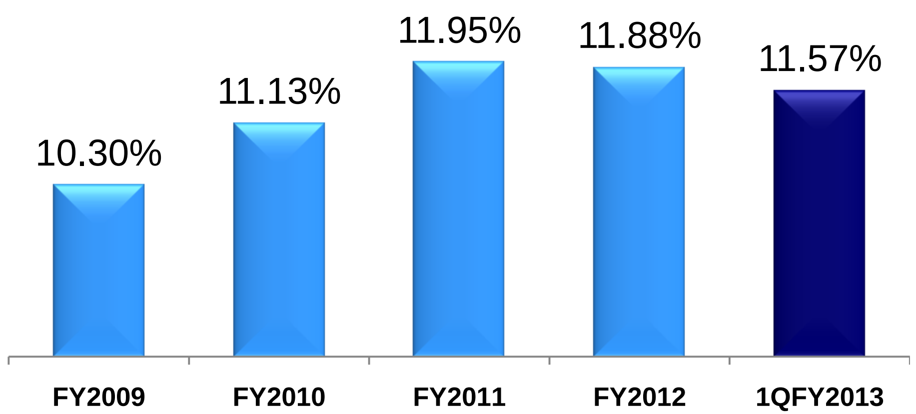
Risk Weighted Capital Ratio



Capital Adequacy by Legal Entities

Legal Entities	Core Capital	RWCR
ABMB	13.09%	13.11%
AIS	11.98%	12.93%
AIBB	70.58%	70.75%

Core Capital Ratio



- Group RWCR at 14.70% with Core Capital Ratio at 11.57%.
- RWCR ratios also in compliance with Basel III requirements.
- Presently, only RM597.9 million of capital is from Subordinated Bonds.

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.
- Expanding non-interest income business drivers - 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 time remain as major priorities.
- Impactful investment in our IT and infrastructure.
- Focus on human capital with right core values.

THANK YOU

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