



ALLIANCE FINANCIAL GROUP

PRESS RELEASE

For more information on this press release, please contact Ms. Sabrina Clyde, Tel : 03-2730 2340, Fax : 03-2696 4692 or e-mail sabrina@alliancebg.com.my.

ALLIANCE FINANCIAL GROUP REGISTERS PRE-TAX PROFIT OF RM303.3 MILLION FOR FYE 2009

Group reports improved asset quality; supported by strong capital position

Highlights of this news release:

- The Alliance Financial Group registered year-on-year net income growth of 4.0% or RM40.6 million for the 12 months ended 31 March 2009. This net income growth was registered despite a sharp decline in Investment Bank fee income due to adverse industry-wide equity market conditions.
- Higher net interest income at the Commercial Bank and higher net income from the Islamic banking business collectively contributed RM73.4 million (or 9.8%) to net income growth, fuelled by strong loans performance in both segments.
- The Group's loan asset quality has continued to improve with net non-performing loans ratio declining from 2.2% as at 31 December 2008 to 1.8% as at 31 March 2009. Gross loans provisioning coverage improved from 92.6% as at 31 December 2008 to 99.7% as at 31 March 2009, as opposed to industry's average of 86.4%.
- The Group's gross loans and advances grew by 18.4% to RM19.6 billion compared to 31 March 2008. Meanwhile, the Group remains well-capitalised with core capital of 10.3% and risk-weighted capital ratio (RWCR) of 14.7% (ahead of industry's average of 13.0%).

Kuala Lumpur, 28 May 2009 – Net income for Alliance Financial Group (“the Group”) registered a growth of RM40.6 million for the 12 months year ended 31 March 2009, compared to the last financial year. This is despite a sharp decline in Investment Bank fee income of RM40.1 million (or 59.0%), driven by the adverse equity and capital markets conditions.

This net income growth was contributed by higher net interest income at the Commercial Bank as well as higher net income from the Islamic banking business. Both the businesses contributed a growth of RM73.4 million (or 9.8%) supported largely by strong loans growth. The RM73.4 million also included an over-provision of RM10.8 million in deposit insurance premium which was written back in the first quarter. At the operating profit level, the Group registered an operating profit of RM493.7 million, a decrease of 9.8% compared to the last financial year. The decline was mainly due to the once off write-back of overhead provisions of RM51.8 million in the last financial year. Excluding this write back, the operating profit is at par to the last financial year.



ALLIANCE FINANCIAL GROUP

The Group's profit-before-taxation was RM303.3 million for the 12 months ended 31 March 2009, a decrease of RM198.7 million (or 39.6%) compared to the last financial year mainly due to the higher allowance for losses on loans, advances and financing by RM172.7 million.

Meanwhile, the Group's loan asset quality continued to improve with net non-performing loans ratio declining from 2.2% as at 31 December 2008 to 1.8% as at 31 March 2009 (31 March 2008: 3.3%). Gross loans provisioning coverage improved from 92.6% as at 31 December 2008 to 99.7% as at 31 March 2009 (31 March 2008: 79.9%). Responding to the deteriorating global economic conditions, the Group will continue to focus on further strengthening risk management practices to sustain good credit portfolio quality. Regular stress test of the Group's business portfolio enables it to proactively manage risks.

"Our latest financial performance for the 12 months ended 31 March 2009 reflects our commitment and attests to the strength, stability and profitability. Our cost of funds (CoF) is at 2.3% and current account and savings account (CASA) is 33%," commented Datuk Bridget Lai, Group Chief Executive Officer of Alliance Bank Malaysia Berhad and Director of Alliance Financial Group Berhad.

The Group's gross loans and advances grew by 18.4% to RM19.6 billion compared to 31 March 2008. Alliance Financial Group continues to be well-capitalised with core capital of 10.3% and RWCR of 14.7%. The RWCR of 14.7% is ahead of industry's average of 13.0%. Meanwhile, Alliance Bank's core capital is at 12.6% and RWCR is 13.1% respectively. In view of the current economic conditions, Alliance Financial Group Berhad, the listed holding company of the Group, has also made available an additional RM600 million standby funds for any opportunistic investment.

4th Quarter ended 31 March 2009 - Comparison with preceding year same quarter

For the current quarter under review, the Group registered an operating profit of RM96.7 million, a decrease of RM41.3 million (or 29.9%) compared to the corresponding quarter last year. This is mainly due to a decline in profit from forex transactions by RM5.9 million, lower gain from disposal of securities by RM18.7 million and higher personnel costs, up by RM16.9 million.

This increase in personnel costs was mainly due to additional expenses of RM5.9 million provided for the continuous manpower rationalisation exercise to improve productivity and efficiency, as well as from the write-back of over-provisions (RM8.3 million) in the corresponding quarter last year.

The Group's current quarter profit before taxation was RM5.7 million, a decrease of RM102.7 million or 94.8% compared to the corresponding quarter last year mainly due to lower operating profit of RM41.3 million and higher allowance for loans losses and impairment for investments of RM61.4 million.



ALLIANCE FINANCIAL GROUP

Comparison with immediate preceding quarter

The Group recorded a profit before taxation of RM5.6 million for the 4th quarter ended 31 March 2009, a decrease of RM62.0 million compared to RM67.6 million recorded for the preceding quarter ended 31 December 2008.

Net income for the 4th quarter ended 31 March 2009 recorded, at RM252.7 million, a decline of RM10.3 million (or 3.9%) which was mainly contributed by the drop in base lending rate (BLR) in the current quarter.

Operating profit level for the current quarter recorded a reduction of RM22.6 million (or 18.9%) compared to the preceding quarter. The reduction was mainly due to the decline in net income as explained above and the increase in other operating expenses by RM12.2 million (or 8.5%) compared to preceding quarter. The increase in other operating expense for the current quarter mainly comes from the additional personnel costs, higher provisions made for maintenance of information technology as well as marketing expenses.

“Despite the global economic downturn, Alliance Financial Group showed a healthy net income performance, on the back of continued loans growth accompanied by an improvement in asset quality. The Group will continue to strengthen its risk management practices to maintain the credit quality of its loan portfolios, improve cost efficiencies and ensure that its liquidity and capital positions stay strong,” said Datuk Bridget Lai, Group Chief Executive Officer of Alliance Bank Malaysia Berhad and Director of Alliance Financial Group Berhad.

“Our primary focus now is to further strengthen the Group’s business fundamentals and to put the Group in an advantageous position to seize market share as soon as the economy begins to recover. Our key strategies include practicing pro-active capital management, maintaining high liquidity with sustainable loan-deposit ratio (LDR), ensuring there’s a robust risk management infrastructure in place with good credit portfolio quality, enhancing operational excellence by optimising cost structure, and leveraging on the synergy among key businesses.”

She affirmed that the Group will remain focused and committed to its business strategy, with a business model that is resilient and well-positioned to weather any forthcoming economic conditions. “The Group expects to record a reasonable performance for the financial year ending 31 March 2010,” she added.

- END -



ALLIANCE FINANCIAL GROUP

About Alliance Financial Group

Alliance Financial Group is a dynamic, integrated financial services group offering end-to-end financing solutions through its consumer banking, commercial banking, wholesale banking, Islamic banking, investment banking and stock broking businesses as well as unit trust and asset management by providing products and services that are suited for every customer at every stage of their life.

The Group has five decades of proud history in contributing to the financial community in Malaysia with its innovative and entrepreneurial business spirit. Today, the Group is involved in the provision of financial services through its principal subsidiaries, Alliance Bank Malaysia Berhad, Alliance Investment Bank Berhad, Alliance Investment Management Berhad and Alliance Islamic Bank Berhad. It provides easy access throughout the country by serving its broad base of customers via multi-pronged delivery channels which include retail branches, Alliance Personal Concept Stores, Alliance Rakan branches, Privilege Banking Centres, Hire Purchase hubs, Business Centres, Investment Bank branches, direct marketing offices and unit trust agent offices located nationwide in a mix of rural and urban areas.

The Group's aspiration is to be Malaysia's premier integrated financial services group delivering the best customer experience and creating long-term shareholder value. Strategic alliances, enhanced group synergy, excellent technology and human capital will be the key to creating long-term value for all stakeholders.