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ALLIANCE FINANCIAL GROUP RECORDS OPERATING PROFIT OF RM116.6 MILLION FOR 1Q2010

Group charts through turbulent times on its agility to respond to shifts in market

Highlights of this news release:

- **Sound business fundamentals:** The Group recorded an operating profit of RM116.6 million, an increase of RM19.9 million or 21% from previous quarter ended 31 March 2009, attributed to the Group's sound business fundamentals which see income from Islamic Banking increased 49.6%, improved non-interest income on the fee-based; and progressive capital market activity.
- **Adaptability to market changes:** The Group's overhead expenses have declined 12.2% across the board, reflecting its ability to adapt to changes in market structure via cost efficiency exercises.
- **Robust integrated risk management:** The Group continues to improve its asset quality - loan loss provision is at top quartile of the industry, loan loss coverage stands at 97.7% and net NPLs is at 1.9%; a clear demonstration of the viability of its prudent integrated risk management measures.
- **Strengthened capital position:** The Group risk-weighted capital ratio (RWCR) remained strong at 14.9% against industry's 14.0%, with core capital ratio at 10.5%; its higher capital position reflects its ability to take on economic stresses.

Kuala Lumpur, 17 August 2009 – Alliance Financial Group (“the Group”), despite a challenging economic and financial climate, has recorded a quarter on quarter improvement having registered an operating profit of RM116.6 million. This is an increase of RM19.9 million or 21% from the last quarter ended 31 March 2009.

“Our sound business fundamentals which are embedded in our three-year business transformation plan are beginning to yield rewards for us. As a result, we have seen income from Islamic Banking increased 49.6%, our non-interest income on the fee-based has improved tremendously, and the positive capital market activity has helped us chart through turbulent times successfully,” said Datuk Bridget Lai, Group Chief Executive Officer of Alliance Bank Malaysia Berhad and Director of Alliance Financial Group Berhad.

The Group also demonstrates its ability to gear up for greater efficiency by readily adapting to market changes via effectual cost efficiency exercise which includes among others, establishment, marketing and admin/general expenses, when its overhead expenses declined 12.2% across the board.

Concurrently, the Group continues to improve its asset quality. As testament to its prudent robust integrated risk management architecture, its net non-performing loans (NPL) ratio stood at 1.9% as at 30 June 2009 and gross loans provisioning coverage at 97.7%. Its loan loss provision is at top quartile of the industry.

The Group core capital and risk-weighted capital ratios remain strong at 10.5% and 14.9% respectively, reflecting its balance sheet's ability to take on economic stresses. The Group's cost of fund (CoF) is at 2.1% and current account and savings account (CASA) is 34.6%, thus, partly absorbing the effects of the drop in asset yield.

Comparing with the immediate preceding quarter, the Group recorded a profit before taxation of RM62.4 million for the first quarter ended 30 June 2009, an increase of RM56.8 million compared to RM5.6 million recorded for the preceding quarter ended 31 March 2009. The improvement is mainly due to higher operating profit, lower allowances for losses on loans and advances, and lower impairment on securities.

The Group also registered a net income of RM253.7 million, a decline of RM35.8 million or 12.4% compared to the corresponding period last year; its net interest income was impacted slightly on the back of the drop in Overnight Policy Rate (OPR) by Bank Negara Malaysia. In addition, the corresponding period last year also consists of a written-back amount due to over-provision of deposit insurance premium. However, this is partially offset by improved performance from the Islamic banking business, with higher net income of RM19.7 million compared to the same period last year.

The Group's other operating income decreased by RM16.2 million which is largely attributed to lower gain on revaluation of forex derivatives instruments. In the corresponding period last year, there was a lumpy gain of RM13.3 million from redemption of a debt-converted security.

For the first quarter ended 30 June 2009, the Group's gross loans and advances increased by 2.0% to RM20.0 billion compared to the preceding quarter ended 31 March 2009. On a year-on-year basis, loans grew 15.5% outpacing industry's average of 8.3% as at June 2009.

The Group will continue to maintain good asset quality, strengthen balance sheet position and drive cost containment through operational excellence, efficiency and good service levels in light of the more recent optimistic economic growth upgrade of the Asian economies.

"Overall, the Group is cautiously optimistic of its prospects for the coming financial year. Our business fundamentals remain intact even as we prudently manage our cost management for greater efficiency," said Datuk Bridget Lai.

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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.