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ALLIANCE FINANCIAL GROUP RECORDS PRE-TAX PROFIT OF RM108.1 MILLION FOR 2Q2010

Highlights of this news release:

- **Pre-tax profit 71.3% better than the same quarter last year:** The Group recorded a pre-tax profit of RM108.1 million, an increase of RM45.0 million or 71.3% from the previous corresponding quarter. This improvement is attributed to lower allowance for losses on loans and financing.
- **Pre-tax profit 73.2% better than the last preceding quarter:** There was a quarter-to-quarter improvement of 73.2% in the Group's pre-tax profit. It recorded a pre-tax profit of RM108.1 million for this quarter, an increase of RM45.7 million compared to the first quarter ended 30 June 2009, attributed to lower allowances for losses on loans and financing.
- **RWCR held steady at 15.4%:** The Group risk-weighted capital ratio (RWCR) remained strong at 15.4% with core capital ratio at 11.1%, an indication of the Group's ability to endure economic stresses.

Kuala Lumpur, 25 November 2009 – Alliance Financial Group (“the Group”) has announced a profit before taxation of RM108.1 million for its second financial quarter ended 30 September 2009. This marks an improvement on a quarter-to-quarter basis, with an increase in pre-tax profit of RM45.7 million or 73.2% compared to the immediate preceding quarter ended 30 June 2009.

“As a result of our three-year business transformation programme, our sound business fundamentals, operational excellence, strong domestic footprint and distinct customer orientation have enabled us to restore our balance sheet to the desired financial strength,” remarked Datuk Bridget Lai, Group Chief Executive Officer of Alliance Bank Malaysia Berhad and Director of Alliance Financial Group Berhad.

Compared to the corresponding quarter last year, the pre-tax profit of RM108.1 million also sees an increase of RM45.0 million or 71.3%. These results for both quarter comparisons are primarily due to lower allowance for losses on loans and financing.

On a cumulative basis for the six months ended 30 September 2009, the Group recorded profit before taxation of RM170.5 million compared to RM230.0 million registered in the corresponding period last year. The lower profit this year was primarily due to lower net interest income following the drop in Overnight Policy Rate (OPR) from 3.5% to 2.0%.

This had an immediate effect on the Group as approximately 85% of its loan portfolio is floating rate loans. Meanwhile, savings from the reduction in cost of funds will take effect when the Group's fixed deposits mature.

The Group's other operating income decreased by 9.1% or RM10 million which is largely attributed to a lower gain from the realisation of investment securities despite a higher brokerage fees income.

During the second quarter ended 30 September 2009, the Group provided a further RM97.4 million impairment to one of the Collateralised Loan Obligations (CLO) in anticipation of future economic conditions which may further impact the businesses of some of the obligors. The additional impairment provision made in the second quarter effectively raised the provision coverage of the CLO to 96%.

Net non-performing loans (NPL) ratio rose from 1.8% as at 31 March 2009 to 2.0% as at 30 September 2009. Gross loans provisioning coverage stood at 89% as at 30 September 2009 compared to 99.7% as at 31 March 2009 mainly due to write-back of loan allowances which is no longer required now. For the second quarter ended 30 September 2009, the Group's gross loans and advances increased by 4.9% to RM20.5 billion compared to 31 March 2009.

The Group's risk-weighted capital ratio remained strong at 15.4% with core capital ratio at 11.1%.

"We are now scaling up on our revenue streams via high-yielding products and will continue to optimise on cross-selling opportunities. Concurrently, we will remain vigilant about our asset quality through the effective practice of integrated risk management; the results of which is reflected in our minimal credit losses," said Datuk Bridget Lai.

"Whilst we acknowledge that massive government stimulus has stopped the world's economy from further decline, we remain cautiously optimistic of the prospects of the economy and expect to record a reasonable performance for the financial year ending 31 March 2010. The Group will remain agile and efficient in adapting to market changes, and we will stay on course with our plans despite the challenging environment," added Datuk Bridget Lai.



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 branches, 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.