

PRESS RELEASE

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**ALLIANCE FINANCIAL GROUP REGISTERS
IMPROVEMENT WITH PROFIT BEFORE TAXATION OF
RM150.3 MILLION FOR 1ST QTR FYE 2011****Highlights of this news release:**

- **Productivity gains reflected in bottom line growth:** The Group recorded profit before taxation of RM150.3 million, an increase of RM87.9 million or 140.7% compared to the corresponding quarter last year. The improvement is due to higher net income by RM19.2 million and lower overheads by RM16.1 million.
- **Robust risk management:** The Group maintained its strong Integrated Risk Management Framework whilst ensuring a high quality credit profile. Loan and financing impairment and impairment on securities decreased by RM52.5 million as a result of strong one-time recoveries. The Group's gross impaired loans ratio improved to 3.8% as of 30 June 2010 compared to 4.5% as of 30 June 2009.
- **Continued strong capital position:** The Group's risk-weighted capital ratio (RWCR) remained strong at 15.5%, with core capital ratio at 11.2%. The adoption of FRS 139 from 1 April 2010 delivered positive impact on opening reserves and asset quality.

Kuala Lumpur, 20 August 2010 – Alliance Financial Group Berhad (AFG) comprising Alliance Bank Malaysia Berhad and its subsidiaries recorded profit before taxation of RM150.3 million, an increase of RM87.9 million or 140.7% compared to the corresponding quarter last year. The improvement is due to higher net income by RM19.2 million and lower overheads by RM16.1 million, due to timing of expenses and improved productivity. In addition, as a result of the Group's efforts to maintain its strong Integrated Risk Management Framework plus numerous one-time recoveries, loan and financing impairment and impairment on securities have decreased by RM52.5 million.

The Group's gross impaired loans ratio improved to 3.8% as of 30 June 2010 compared to 4.5% as of 30 June 2009. The Group continued to have a strong capital position with a risk-weighted capital ratio (RWCR) of 15.5% and core capital ratio of 11.2%.

Datuk Oh Chong Peng, Chairman of AFG said, “The Group has been able to leverage on its strong asset base, robust risk management practices and ongoing transformation initiatives to deliver these good results”.

The Group registered an increase in interest income due to growth in loans and financing as well as 50 basis point increase in Overnight Policy Rate (OPR). Gross loans and financing grew by 7.9% year-on-year to RM21.6 billion compared to RM20.0 billion as of 30 June 2009. The net interest margin also improved from 2.3% as of 30 June 2009 to 2.8% as of 30 June 2010. Other operating income decreased by RM8.8 million or 14.6% compared to the corresponding period last year. The decrease was primarily due to lower brokerage income, reflecting slower market conditions.

Mr Sng Seow Wah, Group Chief Executive Officer, Alliance Bank Malaysia Berhad said, “We aim to deliver sustainable growth by building on the strong assets of the Group. Our medium term priorities include increasing our cross-selling, growing fee income including wealth management and building synergies across our lines of business. The Group remains committed to delivering productivity improvements whilst maintaining strong risk management practices, active liquidity management and a healthy capital position.”

The Group’s net bad debts for quarter ended 30 June 2010 were calculated with the adoption of the transitional arrangement prescribed by Financial Reporting Standards (FRS) 139 with effect from 1 April 2010. The impairment losses calculated on individual loans amounted to RM11.9 million and on loans assessed collectively amounted to RM1.9 million. This compares to the specific provision of RM30.1 million and general provision of RM5.9 million respectively for the corresponding period last year.

Compared with the immediate preceding quarter ended 31 March 2010, the Group’s recorded profit before taxation of RM150.3 million for the first financial quarter ended 30 June 2010 represented an increase of RM42.9 million or 39.9%. This was mainly due to an increase in operating profit by RM12.6 million and lower loan and financing impairment and impairment on securities by RM30.3 million.

Datuk Oh added, “The Malaysian Government has reported a second quarter 2010 real GDP growth of 8.9% and has forecast economic performance for the country of between 4.5% and 5.5% for the whole of 2010. In view of these favourable local conditions, the Group sees good things ahead but is also aware of the uncertainties that exist in the global economy that can potentially impact the performance of its customers and consequently its own performance. Barring unforeseen circumstances, the Group expects to continue to record satisfactory performance in the financial year ending 31 March 2011.”

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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, SME banking, commercial banking, Islamic banking, investment banking and stockbroking 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, Islamic Banking Centres, 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.