ALLIANCE FINANCIAL GROUP

PRESS RELEASE

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ALLIANCE FINANCIAL GROUP 6 MONTHS NET PROFIT GROWS 17.8% TO RM250.8 MILLION

Highlights of the 6 months ended 30 September 2011:

- **Higher after tax profit:** Net profit after tax improved by 17.8% year-on-year to RM250.8 million, driven by loans growth, non-interest income activities and improvement in asset quality.
- **Improved Return on Equity ("ROE"):** ROE after tax rose to 14.4% for the 6 months ended 30 September 2011, from 13.8% in the previous year.
- **Improvements in Asset Quality:** Net impaired loans dropped to 1.4% from 2.2% a year ago, with loan loss coverage now standing at 106.1% as at end-September 2011, significantly better than industry average.
- **Strong capital ratios:** The Group's risk-weighted capital ratio ("RWCR") remained satisfactory at 15.8%, with core capital ratio at 11.9%.

Kuala Lumpur, 16 November 2011 – Alliance Financial Group Berhad ("AFG"), the holding company of Alliance Bank Group, today announced that net profit after tax rose 17.8% to RM250.8 million for the six-month period ended 30 September 2011 (1H FY2012). This translated into higher net earnings per share of 16.4 sen, from 13.9 sen in the corresponding period.

Pre-tax profit of the Group rose by 16.8% to RM336.3 million. The improvement was underpinned by growth in non-interest income, Islamic banking earnings and lower impairment charges. Net profit for the second quarter, which stood at RM121.1 million, was 18.2% higher than the previous corresponding quarter ended 30 September 2010.

In announcing the results, Mr Sng Seow Wah, Group Chief Executive Officer, Alliance Bank Malaysia Berhad, said "We are happy with our first half performance, which reflects the results of the strategic initiatives undertaken over the last 18 months in upgrading capabilities and systems to deliver earnings and value creation across our franchise in Consumer and SME Banking."

Improved Financial Performance

For the six months ended 30 September 2011, the Group reported a 13.8% or RM97.2 million growth in income from its lending operations, including Islamic Banking, due to the 8.1% year-on-year expansion in the net loans portfolio. However, the 25 bps rise in the Overnight Policy Rate ("OPR") as well as the 3% rise in Statutory Reserve Ratio ("SRR") in the last 12 months, put pressure on interest margins, and hence, the net interest income, including Islamic Banking, registered a marginal increase of RM14.4 million or 3.2%.

Non-interest income, meanwhile, registered a stronger growth of RM36.7 million or 31.8%, in line with the Group's focus on expanding its transaction banking and wealth management services. Sng said, "Non-interest income now accounts for 25.5% of the Group's revenue, up from 20.8% a year ago. Our medium term target is to raise the non-interest income ratio to 30%, as we continue to build revenue streams from new business opportunities by expanding our cash management, trade finance, treasury sales and investment banking services."

"The overall cost to income ratio had dropped from 48.3% at the end of the last financial year ended 31 March 2011 to 46.0% as at end-September 2011, with the implementation of various strategic cost management initiatives," said Sng. He added, "While we intend to reduce the cost to income ratio further, we are also committed to completing our expansion plans for distribution channels and infrastructure. Although the operating costs had risen marginally by 9.9% year-on-year, we are confident that these investments will enhance the Group's earnings momentum in future."

Strong loans growth in all major business segments

Net loans and financing grew by 8.1% year-on-year to RM22.9 billion, driven mainly by loans for financing of residential properties and business enterprises. The growth in the Group's consumer loans portfolio, which accounts for 53.4% of the total loans, was driven primarily by housing loans growth of 6.3%. Business banking loans, comprising both SME and corporate lending, expanded by RM1.4 billion or 14.3%, driven mainly by working capital financing and trade finance.

Asset Quality continues to improve

The expansion in the loans portfolio was accompanied by a marked improvement in the overall asset quality, which is now better than the industry averages. The net impaired loans ratio had declined to 1.4% as at September 2011, from 2.2% a year ago, due to the increased focus on proactive recovery and collection measures. Similarly, the loan loss coverage had registered significant improvement to 106.1%, from 83.2% as at September 2010, due to the setting aside of 1.5% collective provisions for the loans growth.

Deposits grew by 15.3% year-on-year

In line with the Group's strategy to further improve liquidity, the loans to deposits ratio had further dropped to 77.3%, from 82.8% a year ago. This improvement was attributed mainly to expansion in customer deposits by RM4.0 billion or 15.3% year-on-year to RM30.4 billion, due primarily to deposits mobilised from business enterprises. Further, as at end-September 2011, the Current and Savings Accounts ("CASA") deposits, as a proportion of the total customer deposits stands at 34.8%.

Strong capital position

The Group's risk-weighted capital ratio ("RWCR") remained strong at 15.8%, with core capital at 11.9% as at end-September 2011, well above the regulatory requirements of 8% RWCR. Sng said, "The Group's capital ratios are well above the regulatory requirements as well as the requirements under Basel 3, as the Group continues to proactively manage its capital position to ensure that the capitalisation level is sufficient to meet the Group's growth aspirations."

Looking Forward

Arising from the challenging global external environment, the Group expects the economic growth to moderate and interest margins in the industry to compress further in view of increasing competition. "Notwithstanding this, the Group is confident that it will be able to report satisfactory results for the current financial year ending 31 March 2012, as the business strategies that had been implemented will enable the Group to further diversify its revenue streams, strengthen its operational and risk management infrastructure as well as customer service," said Sng.

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About Alliance Financial Group

Alliance Financial Group is a dynamic, integrated financial services group offering financing solutions through its consumer banking, SME banking, wholesale banking, Islamic banking, investment banking and stock broking businesses as well as unit trust and asset management.

The Group's principal subsidiaries are Alliance Bank Malaysia Berhad, Alliance Investment Bank Berhad, Alliance Islamic Bank Berhad and Alliance Investment Management Berhad. It provides easy access to its broad base of customers throughout the country via multi-pronged delivery channels which include retail branches, Alliance Personal branches, Privilege Banking Centres, Islamic Banking Centres, Business Centres, Investment Bank branches, direct marketing offices and unit trust agent offices located nationwide.

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