ALLIANCE FINANCIAL GROUP

PRESS RELEASE

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ALLIANCE FINANCIAL GROUP 9 MONTHS' NET PROFIT GROWS 14.8% TO RM372.3MILLION

Highlights of the 9 months ended 31 December 2011:

- **Higher after tax profit:** Net profit after tax improved by 14.8% year-on-year to RM372.3 million, driven by loans growth, non-interest income activities and improvement in asset quality.
- **Improved Return on Equity ("ROE"):** ROE after tax rose to 14.1% from 13.8%.
- **Improvements in Asset Quality:** Net impaired loans improved to 1.4% from 2.2% a year ago, with loan loss coverage at 107.6%, significantly better than the industry average of 96.3%.
- **Strong capital ratios:** The Group's risk-weighted capital ratio ("RWCR") remained strong at 15.2%, well above regulatory and Basel III requirements. Core capital ratio stands at 11.4%.

Kuala Lumpur, 21 February 2012 – Alliance Financial Group Berhad ("AFG" or "the Group"), comprising Alliance Bank Malaysia Berhad and its subsidiaries, today announced that its net profit after tax grew 14.8% year-on-year to RM372.3 million for the nine-month period ended 31 December 2011 (3QFY12), resulting in higher net earnings per share of 24.4 sen, from 21.2 sen in the corresponding period. Return on Equity ("ROE") continued to improve to 14.1% from 13.8% a year ago, and the Return on Assets remained stable at 1.3%.

For the nine months ended 31 December 2011, the Group recorded a pre-tax profit of RM499.5 million, an increase of 13.8% compared to the corresponding period last year. The improvement was underpinned by a strong growth in non-interest income, Islamic banking activities and lower impairment charges. Net profit for the third quarter, which stood at RM121.4 million, was 9.1% higher than the previous corresponding quarter ended 31 December 2010.

In announcing the results, Group Chief Executive Officer of Alliance Bank Malaysia Berhad, Sng Seow Wah, said, "Our financial performance is a reflection of our strategic initiatives and investments in building a consumer and business banking franchise that provides stable and sustainable revenues."

Sng added that, “In view of Alliance Bank Group’s strong performance year-to-date, the Board of AFG had recently announced a second interim dividend of 7.7 sen per share, which will be payable on 28 February 2012. This brings the total dividend for the financial year ending 31 March 2012 to 13.3 sen; this is a significant improvement when compared to last year’s dividend payout of 7.0 sen.

Improved Financial Performance

Consistent with the Group’s strategy to diversify its revenue from transaction banking, wealth management and treasury trading activities, the non-interest income expanded by RM58.2 million or 33.5%. Sng said, “Non-interest income now accounts for 26.1% of the Group’s revenue, up from 21.0% a year ago, and our medium-term target is to raise non-interest income ratio to 30%.”

Interest income, including income from Islamic Banking Operations, however registered a marginal increase of RM19.4 million or 2.8%, due to further margin compression from competitive pressures in the retail segment and the higher funding cost.

“The Group’s cost-to-income ratio maintained at 46.5% as at end-December 2011, which is a reflection of the on-going strategic cost management initiatives,” said Sng. Growth in overheads registered a moderate increase of 9.2%, due to the expansion of business activities.

Strong loans growth in all major business segments

Gross loans, including Islamic financing, rose 11.5% to RM24.2 billion, supported by both growths in consumer and SME/Corporate lending. Consumer lending, which accounts for 53.4% of the total loans portfolio, increased by RM600 million or 4.9%, driven mainly by housing loans’ disbursements.

SME lending grew RM762.2 million during the year or 14.7% to RM5.9 billion, due to expansion of working capital and trade finance. Lending to the SMEs now accounts for 24.6% of total loans as at end-December 2011.

Stable funding and deposit growth

Customer deposits expanded by RM2.6 billion or 9.2% year-on-year to RM30.6 billion as at December 2011, with the CASA deposits ratio improving further to 35.6%. Reflecting the acceleration in loans growth momentum, the loan-to-deposit ratio now stands at 78.9% as at end-December 2011, albeit still the lowest in the industry.

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Asset quality continues to improve

The net impaired loans ratio had improved further to 1.4% as at end-December 2011, from 2.2% a year ago due to the continued focus on proactive recovery and collection measures, and is now better than the industry average of 1.9%. The loan loss coverage, meanwhile, has risen to 107.6% due to the setting aside of 1.5% collective provisions for the loans growth, as compared with 83.1% as at December 2010. The coverage ratios at 107.6% are higher than the industry average of 96.3% as at December 2011.

Capital levels positioned for Basel III guidelines

The Group's risk-weighted capital ratio ("RWCR") remained strong at 15.2%, with core capital ratio at 11.4% as at end-December 2011, well above the regulatory requirements of 8%. "The Group's capital ratios are well positioned for BNM's Basel III Guidelines and to meet the Group's growth aspirations," said Sng.

Looking Forward

The Group expects the global economic growth to moderate due to market pressures stemming from the eurozone crisis and the sustainability of the US growth. However, with the implementation of the Economic Transformation Programme, the industry loans growth is expected to remain resilient. Although interest rates in the short term are expected to remain at the current levels, interest margins, however, may continue to compress further due to increased competition for lending opportunities.

"While we continue to focus on existing business opportunities in Consumer Banking and Business Banking, we are also strengthening our Treasury, Transaction Banking and Wealth Management capabilities. We are confident that the business strategies that are being implemented will enable the Alliance Bank Group to build a successful banking franchise and generate sustainable financial performance over the long term, as well as deliver value-added services to our customers," Sng said

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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.

For more information on this press release, please contact Agnes Ong, Tel : (03) 2730 2367/012-672 4245, Fax : 03-2696 4692 or e-mail: agnesong@alliancefg.com.