PRESS RELEASE

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ALLIANCE FINANCIAL GROUP RECORDS 17.3% INCREASE IN NET PROFIT TO RM479.8 MILLION

Highlights of the financial year ended 31 March 2012:

- **Higher after tax profit:** Net profit after tax rose by 17.3% to RM479.8 million for the financial year ended 31 March 2012, driven by an increase in total revenue and lower impairment charges.

- **Improved Return on Equity ("ROE"):** ROE after tax rose to 13.6%, from 13.0% for the previous financial year due to higher net profit after tax.

- **Improvements in Asset Quality:** Net impaired loans improved further to 1.4% from 1.9% a year ago, with loan loss coverage ratio increasing to 108.5%, significantly better than the industry average of 97.5%.

- **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 stood at 11.5%.

Kuala Lumpur, 23 May 2012 – Alliance Financial Group Berhad ("AFG" or "the Group"), comprising Alliance Bank Malaysia Berhad and its subsidiaries, today announced that for the 12 months ended 31 March 2012 (FY2012), the Group's profit before tax grew 16.4% from RM553.1 million in the previous year to RM643.6 million. After setting aside taxation, the Group's net profit rose by 17.3% to RM479.8 million.

In announcing the results, Group Chief Executive Officer of Alliance Bank Malaysia Berhad, Sng Seow Wah said, "Arising from this improvement in net profit, the Group's return on equity rose to 13.6% (FY2011: 13.0%) and earnings per share to 31.5 sen (FY2011: 26.7 sen). The Group had also paid a higher total dividend of 13.3 sen in FY2012, compared with 7 sen in the previous year."

He also said that, "The Group has made progress in the last 12 months, with non-interest income ratio rising to 26.8% (FY2011: 20.8%), the cost-to-income ratio dropping to 47.3% (FY2011: 48.3%). Meanwhile, the net impaired loans ratio too had improved to 1.4%, and the loan loss coverage ratio had risen to 108.5%."

ALLIANCE FINANCIAL GROUP

For the current quarter ended 31 March 2012, the Group recorded profit before taxation of RM144.1 million, an increase of 26.0%, compared to the corresponding quarter last year.

Improved Financial Performance

Net interest income, including income from Islamic Banking operations, grew by 3.0% to RM930.2 million, despite the 11.3% growth in loans and financing. This was due to the further contraction in the net interest margin to 2.51% (FY2011: 2.69%) arising from the full year impact of the rise in the Overnight Policy Rate in 2010 and May 2011, as well as increases in Statutory Reserve Requirement during the year.

The non-interest income registered a growth of RM94.5 million or 41.8% during the year, resulting in the non-interest income ratio improving further to 26.8% (FY2011: 20.8%) driven by trading in investment securities, treasury sales, transaction banking and wealth management. Sng added, “Our medium-term target is to ensure that non-interest income accounts for at least 30% of the total revenues.”

The cost-to-income ratio improved to 47.3%, from 48.3% in FY2011, due to more effective cost management, as the Group continued to focus on the streamlining of its business operations, to improve productivity and efficiency.

Allowances for loan impairment had increased to RM34.6 million in FY2012, due mainly to collective provisions as the loans growth was significantly stronger at 11.3% (FY2011: 4.8%). The net write-back of impairment provisions had also increased to RM21.6 million in FY2012, as compared with RM4.1 million in FY2011.

Stronger loans growth

Gross loans, including Islamic financing, rose 11.3% to RM25.0 billion, on the back of focused growth in targeted segments in both Consumer and Business Banking, in line with the Group’s strategic priorities to rebalance the composition of our loan portfolio.

Whilst the Group continues to focus consumer lending on viable and profitable segments, lending to businesses expanded faster at 14.2%, compared to consumer loans growth of 9.0%. The Business Banking loans portfolio now represents 46.1% of total lending and remains well diversified.

Asset quality continues to improve

Reflecting the disciplined approach in credit risk management and collection processes, the Group's gross impaired loans ratio improved further to 2.4% (FY2011: 3.3%), and the overall asset quality remains better than the industry average. The net impaired loans ratio stood at 1.4% as at end-March 2012, compared with 1.9% a year ago.

The gross impaired loan loss coverage ratio, has risen to 108.5% (FY2011: 90.1%) as the Group has set aside collective provisions under BNM's transitional provision for FRS139 adoption.

Healthy loans to deposits ratio

As deposits had expanded at a relatively faster rate of 13.4% to RM32.1 billion, compared to the loans growth at 11.3%, the Group's loans-to-deposits ratio remained healthy at 77.8% (FY2011: 78.8%). However, the CASA ratio had declined marginally to 33.7%, from 34.0% a year ago.

Capital levels positioned for Basel III guidelines

The Group's RWCR remained strong at 15.2%, with core capital ratio at 11.5% as at end-March 2012, 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 in the medium term," said Sng.

Looking Forward

Against a background of 4% to 5% GDP growth, the Group expects demand for financing and non-interest income business activities to be sustained. Accordingly, the Group will continue to focus on existing business opportunities in Consumer Banking and Business Banking. At the same time, the Group will enhance Treasury and Transaction Banking, while developing the Wealth Management, and Investment Banking business. The Group's priority will be on growing revenue, managing asset quality, improving productivity, and building the balance sheet for sustainable growth.

Barring unforeseen circumstances, the Group expects to continue delivering a satisfactory performance for the new financial year ending March 2013.

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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 areAlliance 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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