PRESS RELEASE

15 August 2012

ALLIANCE FINANCIAL GROUP RECORDS RM124.6 MILLION NET PROFIT IN 1Q FY2013

Highlights of the 1st Quarter FY2013 ended 30 June 2012 (1Q FY2013):

- **Higher Revenue Growth:** Net income rose 4.0% to RM319.3 million, compared to the corresponding quarter which ended 30 June 2011, driven by an increase in net interest, Islamic income and higher non-interest income.

- **Net Profit after Tax:** The Group reported a net profit after tax of RM124.6 million, up 15.8% against the immediately preceding quarter ended 31 March 2012, but 4.2% lower than corresponding quarter ended 30 June 2011.

- **Return on Equity ("ROE"):** ROE after tax is at 13.0%, a decline from 14.0% as at financial year ended 31 March 2012 (FY2012), arising from the higher average shareholders' fund.

- **Loans Growth Accelerated:** Net loans growth of 12.9% year-on-year to RM25.3 billion driven by expansion in Consumer and Business Banking loans portfolio.

- **Improvements in Asset Quality:** Net impaired loans improved further to 1.3 % from 1.8% a year ago, with loan loss coverage at 86.6%, following the full adoption of the Malaysian Financial Reporting Standards ("MFRS") 139.

- **Strong Capital Ratios:** The Group's risk-weighted capital ratio ("RWCR") remained strong at 14.70%, well above regulatory and Basel III requirements.

Kuala Lumpur, 15 August 2012 – Alliance Financial Group Berhad ("AFG" or "the Group"), comprising Alliance Bank Malaysia Berhad and its subsidiaries, today announced that for the first financial quarter ended 30 June 2012 (1Q FY2013), the Group reported a net profit after tax of RM124.6 million, an increase of 15.8% over the immediate preceding quarter ended 31 March 2012.

However, compared with the corresponding quarter ended 30 June 2011, the net profit after tax had declined marginally by RM5.4 million or 4.2%, due to higher operating expenses, as the Group continues to invest in the underlying capabilities and systems required to establish a diversified base of earnings.

In announcing its results, Group Chief Executive Officer Sng Seow Wah said, "The Group's return on equity stood at 13.0% and earnings per share at 8.2 sen. The Group has also paid a higher first interim dividend of 6.6 sen per share, as compared to 5.6 sen last year." He added that the Group has recently adopted a dividend policy to pay up to 50% of its net earnings as dividends, subject to regulatory approvals and if it maintains strong capital ratios.

Improved Financial Performance

“The improved performance compared to the preceding quarter ended 31 March 2012 was attributed to the growth in interest income as well as recurring non-interest income,” said Sng.

Net interest income had risen by 4.0% to RM237.0 million as margins remained under pressure due to the increased competition in the industry. Non-interest income registered a growth of RM3.2 million or 4.0% to RM82.4 million driven mainly from the Group's continued focus on expanding treasury sales, transaction banking and wealth management, as well as gains from the realisation of investments.

“The Group’s non-interest income ratio has improved further to 27.3% from 26.6% a year ago.”

Overhead expenses however, rose by 11.8% year-on-year due to the rise in personnel expenses as well as higher IT expenses, as the Group continued to invest in underlying capabilities, marketing and systems required for the establishment of a diversified base of earnings. However, compared to the preceding quarter ended 31 March 2012, operating expenses were up only 2.9%.

"Although the cost-to-income ratio has risen to 50.5% as at June 2012, from 47.6% in FY2012, however, we expect the cost-to-income ratio to trend downwards in the next few quarters as we continue with the initiatives to further improve productivity and efficiency of our business operations," said Sng.

Momentum in loans growth sustained

The Group’s net loans, including Islamic financing, registered a 12.9% year-on-year increase to reach RM25.3 billion. The Group’s lending activities remained focused on the consumer and SME customer segments, which registered a year-on-year growth of 11.7% and 14.3% respectively. The Business Banking portfolio, comprising lending to the SME and corporate customers, now represents 46.4% of the total loans portfolio, as compared with 45.2% as at 30 June 2011.

Asset quality continues to improve

Despite the challenging external environment, the Group achieved further improvement in asset quality with its adoption of a disciplined approach towards credit risk management and collection processes. The net impaired loans ratio has dropped significantly to 1.3%, from 1.8% as at 30 June 2011, and its loan loss coverage under MFRS 139 now stands at 86.6%. Concurrently, its gross impaired loans ratio too has dropped to 2.4% as at 30 June 2012, from 3.0% a year earlier.

The Group recorded a net write back of RM9.3 million in loans and impairment provisions due to recoveries in respect of accounts for which provisions had been made previously.

Healthy loan-to-deposit ratio

The Group's loan-to-deposit ratio had increased to 81.8% from 80.1% as at June 2011 and 77.8% as at March 2012 respectively, in line with its effective asset liability management. Its customer deposits expanded 11.7% year-on-year to RM31.6 billion. The Group also continues to see strong growth in its CASA deposits to RM11.3 billion (+11.9%); its CASA ratio now stands at 35.6%.

Capital levels positioned for Basel III guidelines

The retrospective application of MFRS 139, which resulted in the excess collective assessment being written back to retained earnings, caused the shareholders' funds to increase by RM96.5 million as at 1 April 2012.

"The Group's risk-weighted capital ratio ("RWCR") remained strong at 14.70%, with core capital ratio at 11.57% as at end-June 2012, well above the regulatory requirements of 8%. The Group's capital ratios are well-positioned for BNM's Basel III Guidelines and for further expansion of the Group's business aspirations, in the medium term," said Sng.

Looking Forward

Against a background of 4% to 5% GDP growth, and the expected continued resilience of the Malaysian economy despite the Euro debt crisis, the Group anticipates demand for financing and non-interest income business activities to be sustained. However, competition for both deposits and loans is expected to intensify, putting further pressure on net interest margins.

The Group will continue to focus on existing business opportunities in Consumer Banking and Business Banking, to enhance its Treasury and Transaction Banking, and to develop the Wealth Management and Investment Banking business. The Group's priorities will be on growing revenue, managing asset quality, improving productivity, and building the balance sheet for sustainable growth.

The Group expects to maintain its growth momentum and deliver a satisfactory performance for the financial year ending March 2013.

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About Alliance Financial Group

Alliance Financial Group, comprising Alliance Bank Malaysia Berhad, Alliance Investment Bank Berhad, Alliance Islamic Bank Berhad and Alliance Investment Management Berhad, is a dynamic, integrated financial services group offering banking and financial solutions through its consumer banking, business banking, Islamic banking, investment banking and stock broking businesses as well as unit trust and asset management businesses.

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, as well as mobile and Internet banking.

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