ALLIANCE BANK

Alliance Bank Malaysia Berhad (88103-W)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

CONTENTS **PAGE**

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Bank and of the Group for the financial year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of banking business and the provision of related financial services.

The principal activities of the subsidiaries are Islamic banking, investment banking including stockbroking services, nominees services, fund management, investment advisory services and related financial services.

There have been no significant changes in the nature of these activities during the financial year other than setting up of a joint venture company known as AIA AFG Takaful Berhad with 30% equity participation by the Bank and 70% by American International Assurance Berhad, to carry out family takaful business.

RESULTS

	BANK RM'000	GROUP RM'000
Profit before taxation and zakat	433,848	559,749
Taxation and zakat	(112,438)	(144,381)
Net profit after taxation and zakat	321,410	415,368
Attributable to:		
Equity holders of the Bank	321,410	415,419
Minority interests	-	(51)
Net profit after taxation and zakat	321,410	415,368

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

ORDINARY SHARES DIVIDENDS

The amount of ordinary shares dividends declared and paid by the Bank since 31 March 2010 were as follows:

	RM'000
(i) A final dividend of 12.0 sen, less 25% taxation on 596,517,043 ordinary shares in respect of the financial year ended 31 March 2010, was paid on 28 July 2010	53,686
(ii) An interim dividend of 9.2 sen, less 25% taxation on 596,517,043 ordinary shares in respect of the financial year ended 31 March 2011, was paid on 29 November 2010	41,160
	94,846

ORDINARY SHARES DIVIDENDS (CONTD.)

A final dividend of 22.3 sen, less 25% taxation on 596,517,043 ordinary shares amounting to approximately RM99,767,000 (gross dividend: RM133,023,000) in respect of current financial year will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The accompanying financial statements do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 March 2012.

IRREDEEMABLE (NON-CUMULATIVE) CONVERTIBLE PREFERENCE SHARES ("ICPS") DIVIDENDS

The amount of ICPS dividends declared and paid by the Bank since 31 March 2010 was as follows:

	RM'000
A dividend of 5.0 sen per share, tax exempt under the single tier tax on 400,000,000 ICPS in respect of financial year ended 31 March 2011, was paid on 29 November 2010	20,000

ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME

The Alliance Financial Group Berhad Employees' Share Scheme ("AFG Bhd ESS") is governed by the Bye-Laws approved by its shareholders at an Extraordinary General Meeting held on 28 August 2007. The AFG Bhd ESS which comprises the Share Option Plan, the Share Grant Plan and the Share Save Plan took effect on 3 December 2007 and is in force for a period of 10 years.

Alliance Financial Group Berhad, the holding company of the Bank had on 23 September 2010, offered/awarded the following share options and share grants to Directors and employees of the Alliance Financial Group Berhad and its subsidiaries who have met the criteria of eligibility for participation in the AFG Bhd ESS:

(i) 7,959,300 share options under the Share Option Plan at an option price of RM3.15 per share which will be vested subject to the achievement of performance conditions.

(ii) 2,169,200 share grants under the Share Grant Plan. The first 50% of the share grants are to be vested at the end of the second year and the remaining 50% of the share grants are to be vested at the end of the third year from the date on which an award is made.

There were no share options offered under the Share Save Plan during the financial year.

The salient features of the AFG Bhd ESS are disclosed in Note 27 to the financial statements.

Save for Sng Seow Wah, who is the Group Chief Executive Officer of the Bank, none of the other Directors of the Bank were offered/awarded any share options/share grants during the financial year.

Details of share options/share grants offered/awarded to Directors are disclosed in the Directors' Report of the holding company.

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2011

Underpinned by strong domestic demand and improved financial markets, the global economy began to improve steadily in 2010; this has had a positive impact on Malaysia's fiscal landscape.

The Group was one of the first local financial institutions to implement a Consumer Centric model across its lines of businesses in April 2009. It transformed its business from one that is product-focused to one that is customer-centric; this model has since yielded good results, especially for Consumer and SME Banking.

The Group continued with its sound risk management measures especially in its loan portfolios and to ensure that its liquidity and capital positions remained strong.

For the 12 months ended 31 March 2011, the Group's profit before taxation was RM559.7 million, an increase of RM144.8 million or 34.9% compared to RM414.9 million in the corresponding period last year. This was due to higher net income, lower overheads and lower impairment charges.

The Group achieved an improved return on equity of 13.5% compared to 11.0% last year on the back of a return of asset of 1.2%. Earnings per share improved from 51.4 sen per share to 69.6 sen per share. Alliance Bank Malaysia Berhad ("ABMB") declared a final net dividend of RM99.8 million payable to Alliance Financial Group for the financial year ended 31 March 2011.

Net interest income registered an increase of 14.5% due to growth in loans and financing. Gross loans and financing grew by 4.8% year-on-year to RM22.4 billion compared to RM21.4 billion as at 31 March 2010. Similarly, net interest margin improved from 2.49% as of 31 March 2010 to 2.70% in the corresponding year. The Group's risk-weighted capital ratio ("RWCR") and core capital ratio ("CCR") remained strong at 16.1% and 12.0% respectively as compared to 15.4% and 11.1% previously.

Costs were contained at RM541.7 million, a savings of 1.8% over the corresponding period last year. Consequently, cost-to-income ratio ("CIR") improved from 52.0% to 47.8%.

The Group adopted a more stringent criteria on the classification of impaired loans due to the adoption of FRS139 with effect from 1 April 2010; based on this, the Group's gross impaired loans ratio has improved to 3.3% as at 31 March 2011 from 3.9% as at the beginning of the financial year.

The Group's loan impairment allowance is computed based on the transitional provision under BNM's guidelines on Classification and Impairment Provision for Loans/Financing whereby collective assessment allowance is based on 1.5% of total outstanding loans/financing and net of individual assessment allowance. For the 12 months ended 31 March 2011, the Group recorded RM668.0 million compared to RM761.5 million when compared to the corresponding year for allowance of impaired loans and financing.

For the year under review, the Bank was recognised for its various innovative programmes and initiatives.

You:nique, one of the Bank's flagship products, added six more titles and accolades to its name in FY 2011. The Bank was the only financial institution recognised at the Kancil Awards 2010 for its advertising campaign, "Mohd Khairuddin" for You:nique Prepaid Card where it earned four awards in the Digital category: two Merit mentions in the Digital category for Online Advertising (banners, brand applications) and Websites, and two Bronze mentions for Digital Campaign and Social Media.

The Bank was also inducted into the MasterCard Hall of Fame as a finalist in coming up with the Most Effective Card Marketing Programme for the second time in a row. We were also named among Top 10 Most Innovative Retail Financial Institutions by The Asian Banker.

FY 2011 also brought the Bank its share of recognition in its SME Banking segment. The unit won the Sahabat SME Award 2010 in recognition of the contributions made to the development and support of SMEs in the country by Small and Medium Industries (SMI) Association of Malaysia.

ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2012

Bank Negara Malaysia ("BNM") has projected a continued recovery in advanced economies and growth in the regional economies, including Malaysia, which will be supported by resilient domestic demand. Stability of the financial sector was preserved throughout 2010. However, rising commodity prices have increased the risk of higher global inflation.

In the Bank Negara Annual Report 2010, BNM anticipates the real gross domestic product ("GDP") to grow between 5% and 6% in 2011; growth momentum is expected to accelerate in the second half of the year with stronger expansion of domestic demand, especially in private consumption and investment. This is supported by favourable labour market conditions, implementation of Government initiatives and continued access to credit. A flexible and accommodative monetary policy remains in place to ensure continued access to competitive financing by all sectors while managing risks to inflation.

In essence, pre-emptive measures taken and strong financial buffers will ensure that Malaysia's financial system is well-placed with capacity and flexibility to respond to emerging risks.

BUSINESS OUTLOOK FOR FYE 31 MARCH 2012

We anticipate a steady growth in the GDP in 2011 driven by activities in the private sector. Overall, we are confident that the measures taken by the Malaysian government in the Economic Transformation Programme (ETP), which is aligned with the Government Transformation Programme and New Economic Model, will enable the country to become a high income nation by 2020.

At the Group level, we approach the financial year with cautious optimism. Across the Group, we intend to rebuild broad revenue whilst concurrently investing in underlying capabilities and systems to ensure a more diverse range of earnings across our franchises. The Group is committed to building internal capabilities to enable all businesses and key operational areas to support its growth in the future. In addition, we will deliver top-line growth to meet and/or surpass market expectations.

The Group will focus on driving revenue growth especially in Consumer Banking, SME Banking and Treasury, whilst significantly enhancing our non-interest income. We will invest and manage our priorities to address operational, infrastructure, service and human capital aspects of our business in realising our long-term ambitions.

The Group expects to continue to record satisfactory performance in the new financial year ending 31 March 2012.

RATING BY EXTERNAL RATING AGENCY

The Bank is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM's rating in March 2011, the Bank's short-term and long-term ratings are reaffirmed at P1 and A1 respectively. RAM has classified these rating categories as follows:

P1 - Financial institutions in this category have superior capacities for timely payments of obligations.

A1 - Financial institutions rated in this category are adjudged to offer adequate safety for timely payments of financial obligations. This level of rating indicates financial institutions with adequate credit profiles, but which possess one or more problem areas, giving rise to the possibility of future riskiness. Financial institutions rated in this category have generally performed at industry average and are considered to be more vulnerable to changes in economic conditions than those rated in the higher categories.

DIRECTORS

The names of the Directors of the Bank in office since the date of the last report and at the date of this report are:

Dato' Thomas Mun Lung Lee (Chairman)
Phoon Siew Heng
Chua Eng Kee
Megat Dziauddin bin Megat Mahmud
Kung Beng Hong
Tan Yuen Fah
Zakaria bin Abd Hamid
Tee Kim Chan
Sng Seow Wah (appointed on 5 July 2010)
Ou Shian Waei (appointed on 8 December 2010)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Bank is a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than those arising from the share options/share grants under the AFG Bhd ESS.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Bank or related corporations as shown in Note 37(c) and Note 39 to the financial statements of the Bank or financial statements of related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

Pursuant to Section 134(3) of the Companies Act, 1965, the beneficial interests of Megat Dziauddin bin Megat Mahmud, Dato' Thomas Mun Lung Lee and Sng Seow Wah are disclosed in the Directors' Report of the holding company, Alliance Financial Group Berhad.

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

SHARE CAPITAL

There was no change in the issued and paid-up capital of the Bank during the financial year.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Bank and of the Group were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowances have been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Bank and of the Group inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Bank and of the Group were made out, the Directors took reasonable steps to ascertain that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business, had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Bank and of the Group misleading.

VALUATION METHOD

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Bank and of the Group misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Bank or of the Group which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Bank or of the Group which has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Bank or of the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Bank or of the Group to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Bank and of the Group, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

(i) the results of the operations of the Bank and of the Group during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Bank and of the Group for the financial year in which this report is made.

HOLDING COMPANY

The Directors regard Alliance Financial Group Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company of the Bank.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no significant events during the financial year ended 31 March 2011.

SUBSEQUENT EVENTS

The significant events subsequent to the reporting date are disclosed in Note 53 to the financial statements.

COMPLIANCE WITH BANK NEGARA MALAYSIA'S EXPECTATIONS ON FINANCIAL REPORTING

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in Guidelines on Financial Reporting for Financial Institutions and the Guidelines on Classification and Impairment Provisions for Loans/Financing.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors 2 June 2011.

Dato' Thomas Mun Lung Lee

Sng Seow Wah

Kuala Lumpur, Malaysia

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Thomas Mun Lung Lee and Sng Seow Wah, being two of the Directors of Alliance Bank Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 11 to 126 are drawn up in accordance with the provisions of the Companies Act, 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and Bank Negara Malaysia Guidelines, so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 March 2011 and of the results and the cash flows of the Bank and of the Group for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors 2 June 2011.

Dato' Thomas Mun Lung Lee Sng Seow Wah

Kuala Lumpur, Malaysia

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Lee Eng Leong, being the officer primarily responsible for the financial management of Alliance Bank Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 126 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Lee Eng Leong
at Kuala Lumpur in the Federal Territory on Lee Eng Leong
2 June 2011

Before me,

Sivanason a/l Marimuthu
Commissioner for Oaths

Kuala Lumpur, Malaysia
2 June 2011

88103-W

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of **Alliance Bank Malaysia Berhad**, which comprise the statements of financial position as at 31 March 2011 of the Bank and of the Group, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Bank and of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 126.

Directors' responsibility for the financial statements

The Directors of the Bank are responsible for the preparation of financial statements that give a true and fair view in accordance with the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Bank Negara Malaysia Guidelines, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Bank and of the Group as at 31 March 2011 and of their financial performance and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ALLIANCE BANK MALAYSIA BERHAD (CONTD.)
(Incorporated in Malaysia)

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965, in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiaries did not contain any qualification and any adverse comment made under Section 174(3) of the Act.

Other matters

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers
(AF: 1146)
Chartered Accountants

Mohammad Faiz Bin Mohammad Azmi
No.2025/03/12 (J)
Chartered Accountant

Kuala Lumpur
2 June 2011

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2011

		BANK		GROUP	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	3	958,111	3,182,455	911,730	3,563,549
Deposits and placements with banks and other financial institutions	4	954,610	983,000	100,228	150,156
Financial assets held-for-trading	5	1,176,190	-	1,938,250	-
Financial investments available-for-sale	6	6,329,994	3,266,979	9,259,940	5,154,828
Financial investments held-to-maturity	7	633,521	655,250	940,726	931,420
Derivative financial assets	8	32,047	44,698	32,047	44,698
Loans, advances and financing	9	17,718,442	17,218,069	21,796,319	20,705,491
Balances due from clients and brokers	10	-	-	80,519	72,568
Other assets	11	103,509	121,631	87,008	129,154
Tax recoverable		-	18,143	2,442	22,974
Statutory deposits with Bank Negara Malaysia	12	225,300	208,200	291,008	258,406
Investments in subsidiaries	13	801,664	801,664	-	-
Investments in associates	14	30,230	230	29,038	506
Property, plant and equipment	15	100,847	126,708	104,553	134,733
Deferred tax assets	16	75,272	65,900	108,808	102,722
Intangible assets	17	241,141	245,068	357,682	361,858
TOTAL ASSETS		29,380,878	26,937,995	36,040,298	31,633,063
LIABILITIES AND EQUITY					
Deposits from customers	18	23,418,868	20,450,911	28,997,092	24,270,378
Deposits and placements of banks and other financial institutions	19	1,390,331	1,796,043	1,952,200	2,289,666
Derivative financial liabilities	8	33,347	50,175	33,347	50,175
Amount due to Cagamas Berhad	20	125,776	28,077	125,776	28,077
Bills and acceptances payable	21	111,140	531,369	111,159	538,350
Balances due to clients and brokers	22	-	-	86,743	80,249
Other liabilities	23	663,533	753,946	810,317	895,375
Provision for taxation		35,206	-	40,507	4,202
Deferred tax liabilities	16	-	-	6,792	1
Subordinated bonds	24	600,000	600,000	600,000	600,000
TOTAL LIABILITIES		26,378,201	24,210,521	32,763,933	28,756,473
Share capital	25	600,517	600,517	600,517	600,517
Reserves	26	2,402,160	2,126,957	2,671,360	2,271,534
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		3,002,677	2,727,474	3,271,877	2,872,051
Minority interests		-	-	4,488	4,539
TOTAL EQUITY		3,002,677	2,727,474	3,276,365	2,876,590
TOTAL LIABILITIES AND EQUITY		29,380,878	26,937,995	36,040,298	31,633,063
COMMITMENTS AND CONTINGENCIES	45	14,758,344	13,400,173	15,909,028	14,293,097

The accompanying notes form an integral part of these financial statements.

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011

		BANK		GROUP	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	28	1,126,444	996,339	1,203,400	1,062,587
Interest expense	29	(490,539)	(448,437)	(530,003)	(474,499)
Net interest income		635,905	547,902	673,397	588,088
Net income from Islamic banking business	54	-	-	232,732	245,821
		635,905	547,902	906,129	833,909
Other operating income	30	213,041	228,753	225,701	233,313
Net income		848,946	776,655	1,131,830	1,067,222
Other operating expenses	31	(399,763)	(425,340)	(541,682)	(551,643)
Share of results of associates	14	-	-	(1,467)	3
Operating profit		449,183	351,315	588,681	515,582
(Allowance for)/write-back of losses on loans, advances and financing and other losses	32	(19,405)	5,263	(33,008)	32,258
Write-back of/(allowance for) impairment	33	4,070	(103,358)	4,076	(132,881)
Profit before taxation and zakat		433,848	253,220	559,749	414,959
Taxation and zakat	34	(112,438)	(70,042)	(144,381)	(108,521)
Net profit after taxation and zakat		321,410	183,178	415,368	306,438
Other comprehensive income:					
Revaluation reserve on financial investments available-for-sale					
- Net loss from change in fair value		(7,054)	(11,007)	(7,925)	(16,979)
- Transfer from deferred tax assets		1,763	2,752	1,981	4,245
Other comprehensive loss, net of tax		(5,291)	(8,255)	(5,944)	(12,734)
Total comprehensive income for the year		316,119	174,923	409,424	293,704
Profit attributable to:					
Equity holder of the Bank		321,410	183,178	415,419	306,362
Minority interests		-	-	(51)	76
Net profit after taxation and zakat		321,410	183,178	415,368	306,438
Total comprehensive income attributable to:					
Equity holder of the Bank		316,119	174,923	409,475	293,628
Minority interests		-	-	(51)	76
Total comprehensive income for the year		316,119	174,923	409,424	293,704
Earnings per share attributable to ordinary equity holder of the Bank	35				
- Basic (sen)				70	51
- Diluted (sen)				52	38
Net dividends per ordinary share in respect of the year (sen)	36			23.62	19.65

The accompanying notes form an integral part of these financial statements.

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

			Non-distributable reserves					Distributable reserves	
BANK	Ordinary shares RM'000	ICPS RM'000	Share premium RM'000	Statutory reserve RM'000	Other reserves RM'000	Revaluation reserves RM'000	Equity contribution from parent RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2009	596,517	4,000	597,517	601,561	17	14,207	6,627	835,269	2,655,715
Net profit after taxation and zakat	-	-	-	-	-	-	-	183,178	183,178
Other comprehensive loss	-	-	-	-	-	(8,255)	-	-	(8,255)
Total comprehensive (loss)/income	-	-	-	-	-	(8,255)	-	183,178	174,923
Share-based payment under ESS	-	-	-	-	-	-	5,772	-	5,772
Payment for ESS recharged from parent	-	-	-	-	-	-	(1,695)	-	(1,695)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(370)	370	-
Dividends paid (Note 36)	-	-	-	-	-	-	-	(107,241)	(107,241)
Reclassification of other reserves to retained profits	-	-	-	-	(17)	-	-	17	-
At 31 March 2010	596,517	4,000	597,517	601,561	-	5,952	10,334	911,593	2,727,474
At 1 April 2010, as previously stated	596,517	4,000	597,517	601,561	-	5,952	10,334	911,593	2,727,474
Effects of adopting FRS 139	-	-	-	-	-	42,390	-	29,739	72,129
At 1 April 2010, as restated	596,517	4,000	597,517	601,561	-	48,342	10,334	941,332	2,799,603
Net profit after taxation and zakat	-	-	-	-	-	-	-	321,410	321,410
Other comprehensive loss	-	-	-	-	-	(5,291)	-	-	(5,291)
Total comprehensive (loss)/income	-	-	-	-	-	(5,291)	-	321,410	316,119
Share-based payment under ESS	-	-	-	-	-	-	4,852	-	4,852
Payment for ESS recharged from parent	-	-	-	-	-	-	(3,051)	-	(3,051)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(332)	332	-
Dividends paid (Note 36)	-	-	-	-	-	-	-	(114,846)	(114,846)
At 31 March 2011	596,517	4,000	597,517	601,561	-	43,051	11,803	1,148,228	3,002,677

The accompanying notes form an integral part of these financial statements.

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011 (CONTD.)

	Attributable to Equity Holder of the Bank											
GROUP	Ordinary shares RM'000	ICPS RM'000	Share premium RM'000	Statutory reserve RM'000	Other reserves RM'000	Revaluation reserves RM'000	Equity contribution from parent RM'000	Profit Equalisation Reserve ("PER") RM'000	Retained profits RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
At 1 April 2009	596,517	4,000	597,517	671,953	10,035	20,174	7,664	-	772,867	2,680,727	4,652	2,685,379
Net profit after taxation and zakat	-	-	-	-	-	-	-	-	306,362	306,362	76	306,438
Other comprehensive loss	-	-	-	-	-	(12,734)	-	-	-	(12,734)	-	(12,734)
Total comprehensive (loss)/income	-	-	-	-	-	(12,734)	-	-	306,362	293,628	76	293,704
Share-based payment under ESS	-	-	-	-	-	-	6,915	-	-	6,915	-	6,915
Payment for ESS recharged from parent	-	-	-	-	-	-	(1,978)	-	-	(1,978)	-	(1,978)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(416)	-	416	-	-	-
Transfer to statutory reserve	-	-	-	63,562	-	-	-	-	(63,562)	-	-	-
Transfer to PER	-	-	-	-	-	-	-	26,388	(26,388)	-	-	-
Dividends paid (Note 36)	-	-	-	-	-	-	-	-	(107,241)	(107,241)	-	(107,241)
Reclassification of other reserves to retained profits	-	-	-	-	(17)	-	-	-	17	-	-	-
Dissolution of subsidiaries	-	-	-	-	-	-	-	-	-	-	(189)	(189)
At 31 March 2010	596,517	4,000	597,517	735,515	10,018	7,440	12,185	26,388	882,471	2,872,051	4,539	2,876,590
At 1 April 2010, as previously stated	596,517	4,000	597,517	735,515	10,018	7,440	12,185	26,388	882,471	2,872,051	4,539	2,876,590
Effects of adopting FRS 139	-	-	-	-	-	67,124	-	-	36,330	103,454	-	103,454
At 1 April 2010, as restated	596,517	4,000	597,517	735,515	10,018	74,564	12,185	26,388	918,801	2,975,505	4,539	2,980,044
Net profit/(loss) after taxation and zakat	-	-	-	-	-	-	-	-	415,419	415,419	(51)	415,368
Other comprehensive loss	-	-	-	-	-	(5,944)	-	-	-	(5,944)	-	(5,944)
Total comprehensive (loss)/income	-	-	-	-	-	(5,944)	-	-	415,419	409,475	(51)	409,424
Share-based payment under ESS	-	-	-	-	-	-	5,228	-	-	5,228	-	5,228
Payment for ESS recharged from parent	-	-	-	-	-	-	(3,485)	-	-	(3,485)	-	(3,485)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(384)	-	384	-	-	-
Transfer to statutory reserve	-	-	-	50,891	-	-	-	-	(50,891)	-	-	-
Transfer to PER	-	-	-	-	-	-	-	(25,355)	25,355	-	-	-
Dividends paid (Note 36)	-	-	-	-	-	-	-	-	(114,846)	(114,846)	-	(114,846)
At 31 March 2011	596,517	4,000	597,517	786,406	10,018	68,620	13,544	1,033	1,194,222	3,271,877	4,488	3,276,365

The accompanying notes form an integral part of these financial statements.

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation and zakat:	433,848	253,220	559,749	414,959
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	(75,141)	(33,912)	(82,179)	(27,342)
Depreciation of property, plant and equipment	34,908	35,342	39,516	39,769
Amortisation of computer software	14,014	15,784	14,420	16,307
Dividends from financial investments available-for-sale	(2,886)	(5,806)	(3,705)	(6,321)
Dividends from subsidiaries	(17,263)	(18,935)	-	-
Loss/(gain) on disposal of property, plant and equipment	321	(14)	329	(362)
Property, plant and equipment written-off	3,261	702	3,399	1,129
Computer software written-off	1	1,589	1	1,589
Loss/(gain) on disposal of foreclosed properties	38	(7,029)	38	(7,029)
Net gain from redemption of financial investments held-to-maturity	(3)	-	(3)	-
Net (gain)/loss from sale of financial assets held-for-trading	(417)	(363)	(417)	228
Net gain from sale of financial investments available-for-sale	(1,872)	(9,688)	(3,509)	(11,944)
Unrealised (gain)/loss on revaluation of financial assets held-for-trading	(220)	(27)	(256)	5,152
Interest expense on subordinated bonds	36,540	36,540	36,540	36,540
Unrealised gain on revaluation of derivative instruments	(4,149)	(3,266)	(4,149)	(3,266)
Interest income from financial investments held-to-maturity	(24,187)	(13,089)	(30,682)	(17,251)
Interest income from financial investments available-for-sale	(146,531)	(119,504)	(206,340)	(177,102)
Allowance for loans, advances and financing (net of recoveries)	77,524	39,009	103,804	21,397
Allowance for other assets (net of recoveries)	6,353	4,077	4,974	3,723
Impairment net of write-back of financial investments available-for-sale	(579)	102,863	(585)	134,712
Operating profit before working capital changes carried forward	333,560	277,493	430,945	424,888

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011 (CONTD.)

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Operating profit before working capital changes brought forward	333,560	277,493	430,945	424,888
Impairment net of write-back of financial investments held-to-maturity	(3,491)	450	(3,491)	(3,900)
Impairment net of write-back of foreclosed properties	-	-	-	(15)
Allowance for impairment of goodwill	-	45	-	2,084
(Write-back of)/allowance for commitment and contingencies	(2,866)	1,433	59	1,433
Share options/grants under Employees' Share Scheme	4,852	5,772	5,228	6,915
Profit equalisation reserve	-	-	-	(50,058)
Share of results of associates	-	-	1,467	(3)
Loss on liquidation of subsidiaries	-	-	-	50
Operating profit before working capital changes	332,055	285,193	434,208	381,394
Changes in working capital:				
Deposits from customers	2,913,422	(2,773,654)	4,646,392	(1,959,939)
Deposits and placements of banks and other financial institutions	(412,521)	712,682	(346,208)	1,106,279
Bills and acceptances payable	(420,229)	529,169	(427,191)	536,135
Other liabilities	(26,201)	(78,472)	3,953	(9,892)
Deposits and placements with banks and other financial institutions	48,844	18,373	71,354	48,367
Financial assets held-for-trading	(1,153,072)	35,077	(1,909,800)	40,722
Loans, advances and financing	(538,246)	(893,098)	(1,146,201)	(1,951,745)
Other assets	(21,685)	55,697	(22,383)	51,786
Balances due from clients and brokers	-	-	5,971	(47,158)
Amount due from subsidiaries	(9,003)	(6,635)	-	-
Amount due from holding company	218	193	218	193
Statutory deposits with Bank Negara Malaysia	(17,100)	(39,000)	(32,602)	(59,482)
Amount due to Cagamas Berhad	97,699	(30,314)	97,699	(30,314)
Payment for ESS recharged from parent	(3,051)	(1,695)	(3,485)	(1,978)
Cash generated from/(used in) operations	791,130	(2,186,484)	1,371,925	(1,895,632)
Taxes and zakat paid	(86,382)	(36,579)	(119,269)	(35,763)
Net cash generated from/(used in) operating activities	704,748	(2,223,063)	1,252,656	(1,931,395)

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011 (CONTD.)

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends from financial investments available-for-sale	2,842	4,993	3,657	5,558
Net dividends from subsidiaries	12,947	14,201	-	-
Interest income from financial investments held-to-maturity	24,187	13,089	30,682	17,251
Interest income from financial investments available-for-sale	146,531	119,504	206,340	177,102
Purchase of property, plant and equipment	(14,347)	(28,287)	(14,882)	(28,458)
Purchase of computer software	(10,222)	(13,294)	(10,400)	(13,326)
Purchase of financial investments held-to-maturity, net of maturity and redemption proceeds	37,735	(458,314)	6,640	(586,943)
Purchase of financial investments available-for-sale, net of sale proceeds	(2,949,231)	1,014,876	(3,940,354)	1,026,888
Proceeds from disposal of property, plant and equipment	1,718	2,013	1,818	2,419
Proceeds from disposal of computer software	134	-	155	-
Return on capital from liquidation of subsidiaries	-	-	-	(38)
Capital injection of investment in an associate	(30,000)	-	(30,000)	-
Net cash (used in)/generated from investing activities	(2,777,706)	668,781	(3,746,344)	600,453
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest expense on subordinated bonds	(36,540)	(36,540)	(36,540)	(36,540)
Dividends paid to holding company	(114,846)	(107,241)	(114,846)	(107,241)
Net cash used in financing activities	(151,386)	(143,781)	(151,386)	(143,781)

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011 (CONTD.)

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Net change in cash and cash equivalents	(2,224,344)	(1,698,063)	(2,645,074)	(1,474,723)
Cash and cash equivalents at beginning of year	3,182,455	4,880,518	3,469,300	4,944,023
Cash and cash equivalents at end of year	958,111	3,182,455	824,226	3,469,300
Cash and cash equivalents comprise the following:				
Cash and short-term funds	958,111	3,182,455	911,730	3,563,549
Less: Monies held in trust (Note 3)	-	-	(87,504)	(94,249)
	958,111	3,182,455	824,226	3,469,300

The accompanying notes form an integral part of these financial statements.

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is principally engaged in all aspects of banking business and the provision of related financial services.

The principal activities of the subsidiaries are Islamic banking, investment banking including stockbroking services, nominees services, fund management, investment advisory services and related financial services.

There have been no significant changes in the nature of these activities during the financial year other than setting up of a joint venture company known as AIA AFG Takaful Berhad with 30% equity participation by the Bank and 70% by American International Assurance Berhad, to carry out family takaful business.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office is located at 3rd Floor, Menara Multi-Purpose, Capital Square, No 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

The ultimate holding company is Alliance Financial Group Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 2 June 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Bank and the Group are consistent with those adopted in the annual audited financial statements for the previous financial year, unless otherwise stated.

Standards, amendments to published standards and interpretations that are applicable to the Bank and the Group and are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Bank and the Group's financial year beginning on or after 1 April 2010 are as follows:

- FRS 7 "Financial Instruments: Disclosures"
- FRS 8 "Operating Segments"
- FRS 101 "Presentation of Financial Statements"
- FRS 123 "Borrowing Costs"
- FRS 139 "Financial Instruments: Recognition and Measurement"
- Amendments to FRS 139 "Financial Instruments: Recognition and Measurement", FRS 7 "Financial Instruments: Disclosures"
- Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendment to FRS 2 "Share-based Payment Vesting Conditions and Cancellations"
- Amendment to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements" - Puttable financial instruments and obligations arising on liquidation
- IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related Amendments
- IC Interpretation 10 "Interim Financial Reporting and Impairment"

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- IC Interpretation 13 "Customers Loyalty Programmes"
- Amendment to FRS 132 "Financial Instruments: Presentation" - Classification of rights issues
- TR i-3 "Presentation of Financial Statements of Islamic Financial Institutions"
- Improvements to FRSs (2009)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank and the Group but not yet effective

(i) The revised FRS 3 "Business Combinations" (effective prospectively from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The application of this standard is not expected to have a material impact on the financial statements of the Bank and of the Group.

(ii) The revised FRS 124 "Related Party Disclosure" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:

- The name of the government and the nature of their relationship;
- The nature and amount of each individually significant transactions; and
- The extent of any collectively significant transactions, qualitatively or quantitatively.

The application of this standard is not expected to have a material impact to the financial statements of the Bank and of the Group.

(iii) The revised FRS 127 "Consolidated and Separate Financial Statements" (applies prospectively to transactions with non-controlling interests from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When this standard is effective, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the statement of comprehensive income. The application of this standard is not expected to have a material impact on the financial statements of the Bank and of the Group.

(iv) Amendment to FRS 2 "Share-based Payment: Group Cash-settled Share-based Payment Transactions" (effective from 1 January 2011) clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments also incorporate guidance previously included in IC Interpretation 8 "Scope of FRS 2" and IC Interpretation 11 "FRS 2 - Group and Treasury Share Transactions", which shall be withdrawn upon application of this amendment. The application of this standard is not expected to have a material impact on the financial statements of the Bank and of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(v) Amendment to FRS 7 "Financial Instruments: Disclosures" and FRS 1 "First-time Adoption of Financial Reporting Standards" (effective from 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

The Group has applied the transitional provision which exempts entities from disclosing the possible impact arising from the initial application of this amendment on the financial statements of the Bank and the Group.

(vi) IC Interpretation 4 "Determining whether an Arrangement contains a Lease" (effective from 1 January 2011) requires the Group to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 "Leases" should be applied to the lease element of the arrangement. The application of this standard is not expected to have a material impact on the financial statements of the Bank and of the Group.

(vii) IC Interpretation 17 "Distribution of Non-cash Assets to Owners" (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The application of this standard is not expected to have a material impact on the financial statements of the Bank and of the Group.

(viii) IC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective from 1 July 2011) provides classification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the entity instruments issued, shall be recognised in the statement of comprehensive income. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in the statement of comprehensive income. The application of this standard is not expected to have a material impact on the financial statements of the Bank and of the Group.

Improvements to FRSs:

(ix) FRS 2 (effective from 1 July 2010) clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2. The application of this standard is not expected to have a material impact on the financial statements of the Bank and of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(x) FRS 3 (effective from 1 January 2011)

- Clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRS.

- Clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).

The application of this standard is not expected to have a material impact on the financial statements of the Bank and of the Group.

(xi) FRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (effective from 1 July 2010) clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. The application of this standard is not expected to have a material impact on the financial statements of the Bank and of the Group.

(xii) FRS 101 "Presentation of Financial Statements" (effective from 1 January 2011) clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The application of this standard is not expected to have a material impact on the financial statements of the Bank and of the Group, other than the presentation format of the statement of financial position and the statement of comprehensive income.

(xiii) FRS 138 "Intangible Assets" (effective from 1 July 2010) clarifies that a group of complementary intangible assets acquired in a business combination may be recognised as a single asset if each asset has similar useful lives. The application of this standard is not expected to have a material impact on the financial statements of the Bank and of the Group.

(xiv) IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture. The application of this standard is not expected to have a material impact on the financial statements of the Bank and of the Group.

Standards, amendments to published standards and interpretations to existing standards that are not applicable to the Bank and the Group and not yet effective

IC Interpretation 12	Service Concession Arrangements
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction
IC Interpretation 15	Agreements for Construction of Real Estates
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 18	Transfer of Assets from Customers

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and Bank Negara Malaysia ("BNM") Guidelines.

The financial statements of the Bank and the Group have been prepared under the historical cost convention, except for the following assets which are stated at fair value: financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments.

The financial statements incorporate all activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The financial statements are presented in Ringgit Malaysia ("RM") and all numbers are rounded to the nearest thousand (RM'000), unless otherwise stated.

In the preparation of the financial statements in conformity with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and BNM Guidelines requires the use of certain critical accounting estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Bank and the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are described in the following notes:

(i) Annual testing for impairment of goodwill and intangible assets (Note 17) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of estimates for cash flow projections approved by management covering a 5-year period, estimated growth rates for cash flows beyond the fifth year extrapolated in perpetuity and discount rates applied to the cash flow projections.

(ii) Fair value estimation for financial assets held-for-trading (Note 5), financial investments available-for-sale (Note 6) and derivative financial assets and liabilities (Note 8) - the fair value of financial instruments that are not traded in active market are determined using valuation techniques based on assumptions of market conditions existing at the end of the reporting period, including reference to quoted market prices and independent dealer quotes for similar financial instruments and discounted cash flows method.

(iii) Income taxes (Note 34) - significant management judgement is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking the advise of experts, where appropriate. Where the final liability for taxation assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

(iv) Deferred tax assets (Note 16) - deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(v) Allowance for losses on loans, advances and financing and other losses (Note 32) - the Bank and the Group make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines and accounting standards, management makes judgement on the future and other key factors in respect of the estimation of the amount and timing of the cash flows in assessing allowance for impairment of loans, advances and financing. Among the factors considered are the Group's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

(b) Economic Entities in the Group

(i) Subsidiaries

Subsidiaries are all those entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as the Bank.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less that the fair value of the identifiable net assets of the subsidiary acquired, the gain is recognised directly in the statement of comprehensive income.

Minority interest represents the portion of profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

When a business combination involves more than one exchange transaction, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Economic Entities in the Group (contd.)

(i) Subsidiaries (contd.)

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. This may indicate an impairment of the asset transferred. Accounting policy of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the statement of comprehensive income attributable to the parent.

(ii) Associates

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Significant influence is the power to participate in financial and operating policy decisions of associates but not power to exercise control over those policies.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and it share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of future losses. The interest in an associate is the carrying of the investment in the associate under the equity method together with any long term interests that, in substance, form part of the Group's net investment in the associate. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Economic Entities in the Group (contd.)

(iii) Changes in ownership interests

When the Group ceases to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, or significant influence ceases becomes its cost on initial measurement as a financial asset in accordance with FRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(c) Investments in Subsidiaries and Associates

In the Bank's separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment. The policy for the recognition and measurement of impairment is in accordance with Note 2(i)(v). On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the statement of comprehensive income.

(d) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill is measured at cost less accumulated impairment, if any. Goodwill is no longer amortised. Instead it is allocated to cash-generating units which are expected to benefit from the synergies of the business combination. Each cash-generating unit represents the lowest level at which the goodwill is monitored and is not larger than a reportable business segment. The carrying amount of goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. The policy for the recognition and measurement of impairment is in accordance with Note 2(i)(iv).

(ii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software to use. The costs are amortised over their useful lives of five years and are stated at cost less accumulated amortisation and accumulated impairment, if any. Computer software is assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and amortisation method are reviewed at least at the end of each reporting period.

The policy for the recognition and measurement of impairment is in accordance with Note 2(i)(v).

Costs associated with maintaining computer software programmes are recognised as expenses as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs include software development employee costs and appropriate portion of relevant overheads.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Intangible Assets (Contd.)

(iii) Other non-financial assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful assessment continues to be supportable.

(e) Financial Assets

The Group has changed its accounting policies for recognition and measurement of financial assets upon adoption of FRS 139 "Financial Instruments: Recognition and Measurement" on 1 April 2010. The Group has applied the new policies according to the transitional provision of FRS 139 by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained profits or, if appropriate, another category of equity, of the current financial year. The effects of these changes in accounting policy are disclosed in Note 50.

In accordance with FRS 139, all financial assets which include derivatives financial instruments have to be recognised in the statement of financial position and measured in accordance with their assigned category. Interest receivables previously classified under other assets are now reclassified into the respective category of financial assets.

The Group allocates financial assets to the following FRS 139 category: loans, advances and financing; financial assets at fair value through profit or loss; financial investments available-for-sale; and financial investments held-to-maturity. Management determines the classification of its financial instruments at initial recognition. The policy of the recognition and measurement of impairment is in accordance with Note2(i).

(i) Loans, advances and financing

Loans, advances and financing are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market.

Loans, advances and financing are initially recognised at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest rate method, less impairment allowance.

An uncollectible loan, advance and financing or portion of a loan, advance and financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Financial Assets (contd.)

(ii) Financial assets at fair value through profit or loss

Financial assets classified in this category consist of financial assets held-for-trading. Financial asset is classified as held-for-trading if it is acquired principally for the purpose of selling or repurchasing in the near term or it is part of a portion of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets held-for-trading are stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of financial assets held-for-trading are recognised in the statement of comprehensive income.

(iii) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank and the Group have the positive intent and ability to hold to maturity.

Financial investments held-to-maturity are measured at accreted/amortised cost based on the effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from derecognition of financial investments held-to-maturity are recognised in the statement of comprehensive income.

Any sale or reclassification of more than an insignificant amount of financial investments held-to-maturity not close to their maturity would result in the reclassification of all financial investments held-to-maturity to financial investments available-for-sale, and prevents the Bank and the Group from classifying the similar class of financial instruments as financial investments held-to-maturity for the current and following two (2) financial years.

BNM's Guideline on Financial Reporting for Licensed Institutions (BNM/GP8) issued on 5 October 2004, allowed the unquoted shares held for purposes of specific socio-economic reasons, to be classified as held-to-maturity and measured at amortised cost. Upon the adoption of FRS 139, all the unquoted shares held for purposes of specific socio-economic reasons previously classified as held-to-maturity had been reclassified to available-for-sales portfolio and accordingly, they are to be measured at fair value.

In accordance with the transitional arrangement under paragraph 103AA of FRS 139, the changes arising from the implementation of FRS 139 have been adjusted to opening revaluation reserves as disclosed in Note 50.

(iv) Financial investments available-for-sale

Financial investments available-for-sale are non-derivative financial assets that are not classified as held-for-trading or held-to-maturity. Financial investments available-for-sale are measured at fair value. The return and cost of the financial investments available-for-sale are credited and charged to the statement of comprehensive income using accreted/amortised cost based on effective yield method. Any gain or loss arising from a change in fair value after applying the accreted/amortised cost method are recognised directly in other comprehensive income or in equity through the statement of changes in equity. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income or in equity will be transferred to the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Financial Assets (contd.)

(v) Reclassification of financial assets

The Bank and the Group may choose to reclassify non-derivative assets out from the held-for-trading category, in rare circumstances, where the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Bank and the Group may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Bank and the Group have the intention and ability to hold the financial asset for the foreseeable future or until maturity.

Reclassifications are made at fair value as at the reclassification date, whereby the fair value becomes the new cost or amortised cost, as applicable. Any fair value gains or losses previously recognised in the statement of comprehensive income is not reversed.

As at reporting date, the Bank and the Group have not made any such reclassifications of financial assets.

(f) Financial Liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost. The Bank and the Group do not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities measured at amortised cost include deposits from customers, deposits from banks and debt securities issued and other borrowed funds.

Upon adoption of FRS 139, interest payables previously classified under other liabilities are now reclassified into the respective class of financial liabilities.

(g) Repurchase Agreements

Financial instruments purchased under resale agreements are instruments which the Bank and the Group have purchased with a commitment to resell at future dates. The commitment to resell the instruments are reflected as an asset in the statement of financial position.

Conversely, obligations on financial instruments sold under repurchase agreements are instruments which the Bank and the Group have sold from their portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligations to repurchase the instruments are reflected as a liability in the statement of financial position.

(h) Property, Plant and Equipment and Depreciation

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(h) Property, Plant and Equipment and Depreciation (Contd.)

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent to initial recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment, if any. The policy for the recognition and measurement of impairment is in accordance with Note 2(i)(v).

Freehold land has an unlimited useful life and therefore is not depreciated. Other property, plant and equipment are depreciated on the straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, summarised as follows:

Buildings	2%
Office furniture and fixtures	10%
Motor vehicles	10% - 16.6%
Office equipment	20%
Renovations	20%
Computer equipment	33.3%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. During the financial year, the Group revised the estimated useful life of office equipment by changing its depreciation rate from 10% to 20% per annum. The effect of the changes are disclosed in Note 50.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the statement of comprehensive income.

(i) Impairment of Assets

The carrying amounts of the Group's assets except for deferred tax assets, are reviewed at the end of each reporting period to determine whether there are any indications of impairment. If any such indications exist, the asset's recoverable amount is estimated to determine the amount of impairment to be recognised. The policies on impairment of assets are summarised as follows:

(i) Loans, advances and financing

The adoption of FRS 139 has resulted in a change in accounting policy relating to the assessment for impairment of loans, advances and financing. Prior to the adoption of FRS 139, allowances for impaired loans, advances and financing (previously referred to as non-performing loans) were computed in conformity with the BNM/GP3 - Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts. The effect of the changes in accounting policies are disclosed in Note 50.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (contd.)

(i) Loans, advances and financing (contd.)

Loans, advances and financing of the Bank and the Group are classified as impaired when they fulfill either of the following criteria:

(1) principal or interest or both are past due for three (3) months or more;

(2) where a loan is in arrears for less than three (3) months, the loan exhibits indications of credit weaknesses; or

(3) where an impaired loan has been rescheduled or restructured, the loan will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

For the determination of impairment, the Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment include:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) it becomes probable that the borrower will enter bankruptcy or winding up petition is served on the borrower, significant shareholder or significant guarantor;

(d) adverse Center Credit Reference Information System ("CCRIS") findings or unfavorable industry developments for that borrower; and

(e) observable data indicating that there is a measurable decrease in the estimated future cash flows including adverse changes in the repayment behavior of the borrower or downgrade of the borrower's credit ratings.

The Group first assesses individually whether objective evidence of impairment exists for all loans deemed to be individually significant or for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is then collectively assessed for impairment. If there is objective evidence that an impairment has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment is the current effective interest rate determined under the contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (contd.)

(i) Loans, advances and financing (contd.)

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purposes of measuring the impairment. The interest is recognised as interest income.

In the amendment to FRS 139, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. The transitional arrangement is prescribed in the guidelines on 'Classification and Impairment Provisions for Loans/Financing' issued in January 2010. For loans which are collectively assessed, the Group has applied the transitional arrangement as prescribed in the guideline issued by BNM, whereby collective assessment impairment allowance is maintained at 1.5% of total outstanding loans, net of individual assessment impairment allowance.

In accordance with the transitional arrangement under paragraph 103AA of FRS 139, the changes arising from the implementation of FRS 139 have been adjusted to opening retained profits.

For margin balances of the stockbroking business, the accounts are classified as impaired when the closing market value of the counter(s) so financed has fallen below 130% of the outstanding balance, and 100% impairment allowance is made on the impaired accounts, net of collateral held, if any.

(ii) Financial investments held-to-maturity

For financial investments carried at amortised cost in which there are objective evidence of impairment, impairment is measured as the difference between the financial instrument's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The amount of the impairment is recognised in the statement of comprehensive income.

Subsequent reversals in the impairment is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the financial instrument's carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (contd.)

(iii) Financial investments available-for-sale

For financial investments available-for-sale in which there are objective evidence of impairment, the cumulative unrealised losses that had been recognised directly in equity shall be transferred from equity to the statement of comprehensive income, even though the securities have not been derecognised. The cumulative impairment is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment previously recognised in the statement of comprehensive income.

In the case of quoted equity investments, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether objective evidence of impairment exists. Where such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised) is removed from equity and recognised in the statement of comprehensive income.

Impairment recognised on equity instruments classified as available-for-sale is not reversed subsequent to its recognition. Reversals of impairment on debt instruments classified as available-for-sale are recognised in the statement of comprehensive income if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment in the statement of comprehensive income.

(iv) Goodwill/Intangible assets

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill from business combinations or intangible assets are allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination or the intangible asset.

The recoverable amount is determined for each CGU based on its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment is recognised in the statements of comprehensive income when the carrying amount of the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the CGU. The total impairment is allocated, first, to reduce the carrying amount of goodwill or intangible assets allocated to the CGU and then to the other assets of the CGU on a pro-rata basis.

An impairment on goodwill is not reversed in subsequent periods. An impairment for other intangible assets is reversed if, and only if, there has been a change in the estimates used to determine the intangible asset's recoverable amount since the last impairment was recognised and such reversal is through the statement of comprehensive income to the extent that the intangible asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment had been recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (contd.)

(v) Other Assets

Other assets such as property, plant and equipment, computer software, foreclosed properties and investments in subsidiaries and associates are reviewed for objective indications of impairment at the end of each reporting period or whenever there is any indication that these assets may be impaired. Where such indications exist, impairment is determined as the excess of the asset's carrying value over its recoverable amount (greater of value in use or fair value less costs to sell) and is recognised in the statement of comprehensive income. An impairment for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised.

The carrying amount is increased to its revised recoverable amount, provided that the amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment been recognised for the asset in prior years. A reversal of impairment for an asset is recognised in the statement of comprehensive income.

(j) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(i) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group’s incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the statement of comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(h). The policy for the recognition and measurement of impairment is in accordance with Note 2(i)(v).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Leases (contd.)

(ii) Operating Leases

Operating lease payments are recognised in the statement of comprehensive income on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expenses over the lease term on a straight-line basis.

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land that normally has an indefinite economic life and where title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments at the end of the reporting period. In the case of a lease of land and buildings, the prepaid lease payments or the upfront payments made are allocated, whenever necessary, between the land and buildings elements in proportion to the relative fair values for leasehold interest in the land element and buildings element of the lease at the inception of the lease. The prepaid lease payments are amortised over the lease term in accordance with the pattern of benefits provided.

(k) Bills and Acceptances Payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

(l) Equity Instruments

Ordinary shares and irredeemable convertible preference shares ("ICPS") are classified as equity. Dividends on ordinary shares and ICPS are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(m) Subordinated Bonds

The interest-bearing instruments are recognised as liability and are recorded at face value. Interest expense are accrued based on the effective interest rate method.

(n) Other Assets

Other receivables are carried at anticipated realisable values. Bad debts are written-off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) Provisions for Liabilities

Provisions for liabilities are recognised when the Bank and the Group have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(p) Balances Due From Clients and Brokers

In line with the implementation of FRS 139, Bursa Malaysia Securities Berhad (the "Bursa") has amended the Rules of Bursa Securities issued on 4 November 2010. In accordance with the Rules of Bursa Securities, clients' accounts are classified as impaired accounts (previously referred to as non-performing) under the following circumstances:

	Criteria for classification as impaired	
Types	Doubtful	Bad
Contra losses	When account remains outstanding for 16 to 30 calendar days from the date of contra transaction.	When the account remains outstanding for more than 30 calendar days from the date of contra transaction.
Overdue purchase contracts	When the account remains outstanding from T+5 market days to 30 calendar days.	When the account remains outstanding for more than 30 calendar days.

Bad debts are written off when identified. Impairment allowances are made for balances due from clients and brokers which are considered doubtful or which have been classified as impaired, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities. Collective assessment allowance is made based on a certain percentage of balances due from clients and brokers (excluding outstanding purchase contracts which are not due for payment) net of individual assessment allowances already made.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Recognition of Interest and Financing Income

FRS 139 prescribes that financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost using the effective interest method. Whilst the Group's financial investments held-to-maturity are already measured on this basis under the requirements of BNM's revised BNM/GP8 effective from 1 April 2005, interest income on its loans and receivables continued to be recognised based on contractual interest rates. Upon the full adoption of FRS 139, interest income is recognised using effective interest rates, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the loans or, where appropriate, a shorter period to the net carrying amount of the loan. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the loans but does not consider future credit losses. The calculation includes significant fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

In accordance with the transitional arrangement under paragraph 103AA of FRS 139, the changes arising from the implementation of FRS 139 have been adjusted to opening retained profits.

Interest income is recognised in the statement of comprehensive income for all interest-bearing assets on an accrual basis. Interest income includes the amortisation of premium or accretion of discount. Income from the Islamic banking business is recognised on an accrual basis in accordance with the Shariah principles.

Prior to adoption of FRS 139, where an account is classified as impaired, interest/income accrued and recognised as income prior to the date the loan is classified as impaired is reversed out of interest/income and set-off against the accrued interest/income receivable account in the statement of financial position. Thereafter, interest/income on the impaired loan shall be recognised as income on a cash basis. Upon adoption of FRS 139, once a loan has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The effect of the changes are disclosed in Note 50.

(r) Recognition of Interest and Financing Expenses

Interest expense and attributable profit (on activities relating to Islamic banking business) on deposits and borrowings of the Bank and of the Group are recognised on an accrual basis.

(s) Recognition of Fees and Other Income

Loan arrangement fees and commissions, management and participation fees and underwriting commissions are recognised as income when all conditions precedent are fulfilled.

Commitment, guarantee and portfolio management fees which are material are recognised as income based on time apportionment basis.

Corporate advisory fees are recognised as income on the completion of each stage of the assignment.

Dividends are recognised when the right to receive payment is established.

Brokerage charged to clients is recognised on the day when the contracts are executed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(t) Derivatives Financial Instruments

Derivative financial instruments are initially recognised at fair value, which is normally zero or negligible at inception except for options and subsequently re-measured at their fair value. The fair value of options at inception is normally equivalent to the premium received (for options written) or paid (for options purchased). All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value are recognised in the statement of comprehensive income.

Interest income and expense associated with interest rate swaps are recognised over the life of the swap agreement as a component of interest income or interest expense.

(u) Foreign Currency Translations

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date.

All exchange rate differences are taken to the statement of comprehensive income.

The financial statements are presented in Ringgit Malaysia, which is also the Bank's and the Group's primary functional currency.

(v) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the end of the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. Deferred tax is recognised as income or an expense in the statement of comprehensive income for the period, except when it arises from a transaction which is recognised directly in other comprehensive income or directly in equity, in which case the deferred tax is also charged or credited to other comprehensive income or to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

(w) Foreclosed Properties

Foreclosed properties are stated at cost less impairment, if any, of such properties. The policy for the recognition and measurement of impairment is in accordance with Note 2(i)(v).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(x) Cash and Cash Equivalents

Cash and cash equivalents as stated in the statements of cash flows comprise cash and bank balances and short-term deposits maturity within one month that are readily convertible into cash with insignificant risk of changes in value.

(y) Zakat

This represent business zakat. It is an obligatory amount payable by the Bank to comply with the Shariah principles.

(z) Employee Benefits

(i) Short-term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligations to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the statement of comprehensive income as incurred. As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF").

(iii) Equity Compensation Benefits

The Alliance Financial Group Berhad Employees' Share Scheme ("AFG Bhd ESS"), comprises the Share Option Plan, the Share Grant Plan and Share Save Plan. The AFG Bhd ESS are equity-settled, share-based compensation plans, in which the Group's Directors and employees are granted or are allowed to acquire ordinary shares of Alliance Financial Group Berhad.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(z) Employee Benefits (Contd.)

(iii) Equity Compensation Benefits (Contd.)

The total fair value of the share options/grants offered/awarded to the eligible Directors and employees are recognised as an employee cost with a corresponding increase in the share scheme reserve within equity over the vesting period and taking into account the probability that the scheme will vest. The fair value of the share options/grants are measured at grant date, taking into account, if any, the market vesting conditions upon which the share options/grants were offered/awarded but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share options/share grants that are expected to become exercisable/to vest.

At the end of each reporting period, the Bank and the Group revises its estimates of the number of share options/grants that are expected to become exercisable/to vest. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share scheme reserve until the share options/grants are exercised/vested.

The equity amount in the share scheme reserve can either remain or be transferred within equity to another distributable component or settled by way of payment to the holding company.

(aa) Contingent Liabilities and Contingent Assets

The Bank and the Group do not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Bank and the Group do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

(ab) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Group has adopted FRS 8 "Operating Segments" from 1 April 2010. FRS 8 replaces FRS 114 "Segment Reporting" and is applied retrospectively. The adoption of FRS 8 has resulted in an increase in the number of reportable segments presented. Comparatives have been restated accordingly. This has not resulted in any adjustment to the allocation of goodwill and impairment of goodwill. There has been no other impact on the measurement of the Group's assets and liabilities.

3. CASH AND SHORT-TERM FUNDS

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and balances with banks and other financial institutions	417,838	482,036	501,613	557,380
Money at call and deposit placements maturing within one month	540,273	2,700,419	410,117	3,006,169
	958,111	3,182,455	911,730	3,563,549

Included in the cash and short-term funds of the Group are monies held in trust of RM87,504,000 (2010: RM94,249,000).

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Licensed banks	50,029	150,000	50,193	150,156
Licensed investment banks	150,125	-	50,035	-
Licensed Islamic banks	754,456	833,000	-	-
	954,610	983,000	100,228	150,156

5. FINANCIAL ASSETS HELD-FOR-TRADING

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At fair value				
Money market instruments:				
Bank Negara Malaysia bills	1,096,239	-	1,848,299	-
Malaysian Government investment certificates	59,951	-	59,951	-
Malaysian Government treasury bills	20,000	-	30,000	-
	1,176,190	-	1,938,250	-

6. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government securities	2,659,093	965,960	3,244,713	1,748,115
Malaysian Government investment certificates	162,420	127,827	764,371	566,495
Negotiable instruments of deposits	1,042,371	349,973	1,741,201	459,444
Bankers' acceptances	956,814	799,951	1,388,637	799,951
Cagamas bonds	20,213	170,327	35,396	205,629
Quoted securities in Malaysia:				
Shares	11	17	3,875	3,919
Debt securities	7,818	7,591	7,818	7,591
Unquoted securities:				
Shares	82,607	11,377	117,587	11,377
Debt securities	1,398,647	833,956	1,956,342	1,352,307
	6,329,994	3,266,979	9,259,940	5,154,828

7. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Money market instruments:				
Malaysian Government securities	629,057	634,434	804,820	811,208
Malaysian Government investment certificates	-	-	105,624	39,368
At cost				
Quoted securities in Malaysia:				
Debt securities	-	-	4,902	4,902
Unquoted securities:				
Shares	-	17,981	-	22,021
Debt securities	61,177	64,504	116,711	152,248
	690,234	716,919	1,032,057	1,029,747
Accumulated impairment	(56,713)	(61,669)	(91,331)	(98,327)
	633,521	655,250	940,726	931,420

7. FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONTD.)

The table below shows the movements in accumulated impairment during the financial year for the Bank and the Group:

	2011	
	BANK	GROUP
	RM'000	RM'000
At beginning of year		
- As previously stated	61,669	98,327
- Effects of adopting FRS 139	(1,465)	(3,505)
As restated	60,204	94,822
Write-back during the year	(3,491)	(3,491)
At end of year	56,713	91,331

The Bank and the Group have applied FRS 7 prospectively in accordance with the transitional provision and hence, the comparative are not shown.

8. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative financial instruments are off-balance sheet financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments allow the Bank and the Group and the banking customers to transfer, modify or reduce their foreign exchange and interest rate risk via hedge relationships. The Group also transacts in these instruments for proprietary trading purposes. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 41.

The table below shows the Bank's and the Group's derivative financial instruments as at the end of the reporting period. The contractual or underlying notional amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values as at the end of the reporting period are analysed below.

	2011			2010		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
BANK/GROUP	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange and commodity contracts:						
- Currency forwards	442,706	1,217	(7,713)	432,551	5,037	(10,194)
- Currency swaps	1,819,102	18,692	(18,042)	1,810,451	33,075	(32,981)
- Currency spots	76,047	70	(37)	142,983	224	(179)
- Currency options	24,473	90	(57)	66,418	252	(158)
- Gold options	482,299	2,499	(2,499)	-	-	-
Interest rate related contracts:						
- Interest rate swaps	2,112,000	9,479	(4,999)	1,050,000	6,110	(6,663)
Total derivative assets/(liabilities)	4,956,627	32,047	(33,347)	3,502,403	44,698	(50,175)

9. LOANS, ADVANCES AND FINANCING

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Overdrafts	1,603,198	1,539,697	1,753,908	1,632,204
Term loans/financing				
- Housing loans/financing	7,351,039	7,489,866	8,325,550	8,054,424
- Syndicated term loans/financing	267,440	253,927	287,171	278,248
- Hire purchase receivables	385,945	490,308	784,046	950,585
- Lease receivables	-	104	-	104
- Other term loans/financing	4,311,669	4,153,896	6,310,426	6,043,582
Bills receivables	178,851	55,579	179,607	56,017
Trust receipts	157,722	141,964	176,527	161,042
Claims on customers under acceptance credits	1,846,053	1,708,882	2,202,863	2,025,751
Staff loans [included loans to Directors of a subsidiary of RM121,000 (2010 : RM182,000)]	32,821	40,084	60,938	69,271
Credit/charge card receivables	663,059	685,003	663,059	685,003
Revolving credits	1,156,101	936,466	1,347,748	1,114,634
Other loans	270,341	264,126	347,518	339,071
Gross loans, advances and financing	18,224,239	17,759,902	22,439,361	21,409,936
Add: Sales commissions and handling fees	37,722	86,069	24,969	57,046
Less: Allowance for impaired loans, advances and financing				
- Individual assessment allowance	(273,141)	-	(328,375)	-
- Collective assessment allowance	(270,378)	-	(339,636)	-
- Specific allowance	-	(366,203)	-	(438,582)
- General allowance	-	(261,699)	-	(322,909)
Total net loans, advances and financing	17,718,442	17,218,069	21,796,319	20,705,491

(i) By maturity structure:

Within one year	5,994,251	5,560,190	6,854,057	6,307,079
One year to three years	433,016	533,503	786,069	906,149
Three years to five years	1,032,189	1,008,175	1,389,240	1,408,276
Over five years	10,764,783	10,658,034	13,409,995	12,788,432
Gross loans, advances and financing	18,224,239	17,759,902	22,439,361	21,409,936

(ii) By type of customer:

Domestic non-bank financial institutions				
- Stockbroking companies	20,002	20,001	20,002	20,001
- Others	156,186	168,664	187,410	168,766
Domestic business enterprises				
- Small and medium enterprises	4,096,619	3,790,183	4,784,162	4,430,883
- Others	3,789,961	3,445,975	4,531,690	4,133,379
Government and statutory bodies	15,973	14,341	18,224	16,590
Individuals	9,633,266	9,859,573	12,349,218	12,157,289
Other domestic entities	14,311	4,650	14,671	5,088
Foreign entities	497,921	456,515	533,984	477,940
Gross loans, advances and financing	18,224,239	17,759,902	22,439,361	21,409,936

9. LOANS, ADVANCES AND FINANCING (CONTD.)

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(iii) By interest/profit rate sensitivity:				
Fixed rate				
- Housing loans/financing	24,800	30,172	107,669	316,948
- Hire purchase receivables	385,945	489,857	784,046	950,134
- Other fixed rate loans/financing	732,674	766,555	2,208,270	2,188,491
Variable rate				
- Base lending rate plus	13,374,171	13,215,052	14,983,540	14,097,157
- Cost plus	3,553,060	3,229,272	4,125,070	3,753,267
- Other variable rates	153,589	28,994	230,766	103,939
Gross loans, advances and financing	18,224,239	17,759,902	22,439,361	21,409,936
(iv) By economic purposes:				
Purchase of securities	276,517	274,661	354,975	351,976
Purchase of transport vehicles	296,030	437,530	703,969	907,561
Purchase of landed property	10,133,099	10,108,682	11,514,820	11,092,067
of which: - Residential	*7,730,398*	*7,838,529*	*8,671,706*	*8,408,597*
- Non-residential	*2,402,701*	*2,270,153*	*2,843,114*	*2,683,470*
Purchase of fixed assets excluding land and buildings	96,745	60,768	99,836	66,540
Personal use	728,463	757,539	2,093,967	2,007,919
Credit card	663,059	685,003	663,059	685,003
Construction	238,415	249,439	253,621	293,211
Working capital	5,331,170	4,863,390	6,116,583	5,514,660
Others	460,741	322,890	638,531	490,999
Gross loans, advances and financing	18,224,239	17,759,902	22,439,361	21,409,936
(v) By geographical distribution:				
Northern region	1,573,741	1,443,506	1,882,761	1,775,991
Central region	13,149,993	12,842,947	16,442,221	15,626,298
Southern region	1,670,614	1,656,810	2,014,167	1,942,685
East Malaysia region	1,829,891	1,816,639	2,100,212	2,064,962
Gross loans, advances and financing	18,224,239	17,759,902	22,439,361	21,409,936

9. LOANS, ADVANCES AND FINANCING (CONTD.)

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(vi) Movements in impaired loans, advances and financing ("impaired loans") are as follows:				
At beginning of year				
- As previously stated	650,478	699,539	806,279	875,070
- Effects of adopting FRS 139	25,837	-	37,587	-
As restated	676,315	699,539	843,866	875,070
Impaired during the year	467,756	572,424	564,613	670,112
Reclassified as performing during the year	(290,824)	(363,767)	(328,118)	(412,025)
Recoveries	(143,048)	(156,621)	(190,022)	(194,930)
Amount written off	(117,741)	(101,097)	(149,015)	(131,948)
At end of year	592,458	650,478	741,324	806,279
Gross impaired loans as % of gross loans, advances and financing	3.3%	3.7%	3.3%	3.8%
(vii) Movements in the allowance for impaired loans are as follows:				
Individual assessment allowance				
At beginning of year				
- As previously stated	-	-	-	-
- Effects of adopting FRS 139	321,364	-	389,578	-
As restated	321,364	-	389,578	-
Allowance made during the year (net)	69,518	-	87,812	-
Amount written off	(117,741)	-	(149,015)	-
At end of year	273,141	-	328,375	-
Collective assessment allowance				
At beginning of year				
- As previously stated	-	-	-	-
- Effects of adopting FRS 139	262,372	-	323,644	-
As restated	262,372	-	323,644	-
Allowance made during the year (net)	8,006	-	15,992	-
At end of year	270,378	-	339,636	-
As % of gross loans, advances and financing less individual assessment allowance	1.5%	-	1.5%	-

9. LOANS, ADVANCES AND FINANCING (CONTD.)

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(vii) Movements in the allowance for impaired loans are as follows (contd.):				
Specific Allowance				
At beginning of year				
- As previously stated	366,203	394,418	438,582	531,824
- Effects of adopting FRS 139	(366,203)	-	(438,582)	-
As restated	-	394,418	-	531,824
Allowance made during the year	-	255,307	-	331,471
Amount written back in respect of recoveries	-	(182,425)	-	(292,765)
Amount written off	-	(101,097)	-	(131,948)
At end of year	-	366,203	-	438,582

Included in specific allowance of the Bank and the Group are allowances made for high risk accounts which are still performing amounting to RMNil (2010: RM11,426,000) and RMNil (2010: RM23,414,000) respectively.

General Allowance				
At beginning of year				
- As previously stated	261,699	295,572	322,909	340,218
- Effects of adopting FRS 139	(261,699)	-	(322,909)	-
As restated	-	295,572	-	340,218
Allowance made during the year	-	38,162	-	59,732
Amount written back	-	(72,035)	-	(77,041)
At end of year	-	261,699	-	322,909
As % of gross loans, advances and financing less specific allowance	-	1.5%	-	1.5%
(viii) Impaired loans analysed by economic purposes are as follows:				
Purchase of securities	4,586	6,674	10,268	16,399
Purchase of transport vehicles	2,536	5,263	8,959	13,992
Purchase of landed property	265,205	320,664	283,410	336,433
of which: - Residential	*198,490*	*233,041*	*209,057*	*240,152*
- Non-residential	*66,715*	*87,623*	*74,353*	*96,281*
Purchase of fixed assets excluding land and buildings	182	198	182	198
Personal use	27,032	33,289	37,151	40,451
Credit card	12,694	14,188	12,694	14,188
Construction	12,777	13,437	12,777	14,905
Working capital	229,497	233,911	315,987	321,637
Others	37,949	22,854	59,896	48,076
Gross impaired loans	592,458	650,478	741,324	806,279

9. LOANS, ADVANCES AND FINANCING (CONTD.)

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(ix) Impaired loans by geographical distribution:				
Northern region	84,733	68,538	104,487	76,455
Central region	375,912	402,968	500,546	543,900
Southern region	65,280	90,275	68,965	95,821
East Malaysia region	66,533	88,697	67,326	90,103
Gross impaired loans	592,458	650,478	741,324	806,279

10. BALANCES DUE FROM CLIENTS AND BROKERS

	GROUP	
	2011 RM'000	2010 RM'000
Due from clients	96,318	89,050
Due from brokers	-	-
	96,318	89,050
Less:		
Allowance for other losses	(15,799)	(16,482)
	80,519	72,568

These represent amounts receivable by Alliance Investment Bank Berhad ("AIBB") from non-margin clients and outstanding contracts entered into on behalf of clients where settlement via the Bursa Malaysia Securities Clearing Sdn. Bhd. has yet to be made.

AIBB's normal trade credit terms for non-margin clients is three (3) market days in accordance with the Bursa Malaysia Securities Berhad's ("Bursa") Fixed Delivery and Settlement System ("FDSS") trading rules.

Included in the balances due from clients and brokers are impaired accounts, as follows:

	GROUP	
	2011 RM'000	2010 RM'000
Classified as doubtful	976	691
Classified as bad	15,856	16,150
	16,832	16,841

The movements in allowance for other losses are as follows:

At beginning of year	16,482	17,530
Allowance made during the year	2,214	848
Reversal of allowance	(2,897)	(959)
Amount written off	-	(937)
At end of year	15,799	16,482

11. OTHER ASSETS

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayment [Note (a)]	87,634	67,969	99,506	82,747
Interest/income receivable	-	44,792	-	61,191
Trade receivables	-	-	2,149	1
Amount due from subsidiaries	22,039	13,036	-	-
Amount due to holding company	5	-	5	-
Foreclosed properties	4,200	4,349	4,200	4,349
	113,878	130,146	105,860	148,288
Less:				
Allowance for other losses [Note (b)]	(10,369)	(8,515)	(18,852)	(19,134)
	103,509	121,631	87,008	129,154

Note:

(a) Included in other receivables, deposits and prepayment is an amount of RM25,134,000 (2010: RM28,077,000) being the principal balance of housing loans and hire purchase loans acquired by the Bank from a state owned entity and which have been sold to Cagamas Berhad, with recourse obligations.

(b) Movement in allowance for other losses of the Bank and the Group:

	2011	
	BANK	GROUP
	RM'000	RM'000
At beginning of year	8,515	19,134
Allowance net of write-back	1,854	(282)
At end of year	10,369	18,852

The Bank and the Group have applied FRS 7 prospectively in accordance with the transitional provision and hence, the comparative are not shown.

12. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as a set percentage of total eligible liabilities.

13. INVESTMENTS IN SUBSIDIARIES

	BANK	
	2011	2010
	RM'000	RM'000
Unquoted shares, at cost		
At beginning/end of year	801,664	801,664

The Bank's subsidiaries, all of which incorporated in Malaysia, are:

		Effective equity interest	
Name	Principal activities	2011 %	2010 %
Alliance Direct Marketing Sdn. Bhd.	Dealing in sales and distribution of consumer and commercial banking products	100	100
AllianceGroup Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
Alliance Investment Management Berhad	Management of unit trusts funds, provision of fund management and investment advisory services	70	70
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	100	100
Alliance Islamic Bank Berhad	Islamic banking and the provision of related financial services	100	100
AllianceGroup Properties Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
Subsidiaries of Alliance Investment Bank Berhad			
AIBB Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
AIBB Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
Alliance Investment Futures Sdn. Bhd.	Dormant	100	100
Alliance Research Sdn. Bhd.	Investment advisory	100	100

13. INVESTMENTS IN SUBSIDIARIES (CONTD.)

The Bank's subsidiaries, all of which incorporated in Malaysia, are (contd.):

Name	Principal activities	Effective equity interest 2011 %	2010 %
Subsidiaries of Alliance Investment Bank Berhad (contd.)			
KLCS Sdn. Bhd.	Dormant	100	100
KLCS Asset Management Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
KLCity Unit Trust Bhd. (under members' voluntary winding up)	Dormant	94.94	94.94
KLCity Ventures Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
Rothputra Nominees (Tempatan) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100

14. INVESTMENTS IN ASSOCIATES

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Unquoted shares at cost				
At beginning of year	230	230	506	490
Acquisition during the year [Note]	30,000	-	30,000	-
Share of post acquisition profits and reserves	-	-	(1,468)	16
	30,230	230	29,038	506
Represented by:				
Share of net tangible assets			29,038	506

Details of the associates, which are incorporated in Malaysia, are as follows:

Name	Principal activities	Effective equity interest 2011	2010
Alliance Trustee Berhad	Trustee to unit trusts, funds and other corporate trusts	40%	40%
AIA AFG Takaful Berhad	Offering and providing of Takaful products and services	30%	-

14. INVESTMENTS IN ASSOCIATES (CONTD.)

Note:

On 18 November 2010, the Bank had entered into a Shareholders Agreement with American International Assurance Berhad ("AIA") for the setting up of a joint-venture company known as “AIA AFG Takaful Berhad”, with 30% equity participation by the Bank and 70% by AIA, to carry out family takaful business.

AIA AFG Takaful Berhad was incorporated on 6 December 2010 with an authorised share capital of RM200,000,000 divided into 200,000,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each fully paid. AIA AFG Takaful Berhad commenced its operation in 28 January 2011.

The summarised financial information of the associates are as follows:

	2011 RM'000	2010 RM'000
Assets and Liabilities		
Current assets	1,399	1,181
Non-current assets	99,753	105
Total assets	101,152	1,286
Current liabilities	4,685	19
Total liabilities	4,685	19
Results		
Revenue	1,234	25
(Loss)/Profit for the year	(4,892)	6

15. PROPERTY, PLANT AND EQUIPMENT

BANK	Freehold land	← Leasehold land → 50 years or more	Less than 50 years	Buildings	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011									
COST									
At beginning of year									
- As previously stated	2,962	-	-	49,384	105,170	65,532	111,853	1,895	336,796
- Effects of adopting FRS 117 improvement (Note 51)	-	11,767	2,650	-	-	-	-	-	14,417
As restated	2,962	11,767	2,650	49,384	105,170	65,532	111,853	1,895	351,213
Additions	-	-	-	-	4,041	2,631	7,021	654	14,347
Disposals	-	-	-	-	(1,407)	(3,687)	(177)	(671)	(5,942)
Written off	-	-	-	-	(5,288)	(5,601)	(238)	(5)	(11,132)
Transfer	-	800	(800)	-	-	-	-	-	-
At end of year	2,962	12,567	1,850	49,384	102,516	58,875	118,459	1,873	348,486
ACCUMULATED DEPRECIATION									
At beginning of year									
- As previously stated	-	-	-	13,845	58,767	39,246	104,691	702	217,251
- Effects of adopting FRS 117 improvement (Note 51)	-	2,781	517	-	-	-	-	-	3,298
As restated	-	2,781	517	13,845	58,767	39,246	104,691	702	220,549
Charge for the year	-	117	20	987	16,033	10,921	6,648	182	34,908
Disposals	-	-	-	-	(71)	(3,370)	(117)	(345)	(3,903)
Written off	-	-	-	-	(3,945)	(3,683)	(238)	(5)	(7,871)
Transfer	-	(277)	277	-	-	-	-	-	-
At end of year	-	2,621	814	14,832	70,784	43,114	110,984	534	243,683
ACCUMULATED IMPAIRMENT									
At beginning/end of year	-	-	-	3,956	-	-	-	-	3,956
NET CARRYING AMOUNT	2,962	9,946	1,036	30,596	31,732	15,761	7,475	1,339	100,847

15. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

GROUP	Freehold land	← Leasehold land → 50 years or more	Less than 50 years	Buildings	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011									
COST									
At beginning of year									
- As previously stated	2,962	-	-	50,343	115,311	72,099	130,762	2,718	374,195
- Effects of adopting FRS 117 improvement (Note 51)	-	11,767	2,650	-	-	-	-	-	14,417
As restated	2,962	11,767	2,650	50,343	115,311	72,099	130,762	2,718	388,612
Additions	-	-	-	-	4,287	2,676	7,265	654	14,882
Disposals	-	-	-	-	(1,477)	(3,983)	(193)	(955)	(6,608)
Written off	-	-	-	-	(5,508)	(5,622)	(380)	(5)	(11,515)
Transfer	-	800	(800)	-	-	-	-	-	-
At end of year	2,962	12,567	1,850	50,343	112,613	65,170	137,454	2,412	385,371
ACCUMULATED DEPRECIATION									
At beginning of year									
- As previously stated	-	-	-	14,805	66,744	44,519	119,526	1,031	246,625
- Effects of adopting FRS 117 improvement (Note 51)	-	2,781	517	-	-	-	-	-	3,298
As restated	-	2,781	517	14,805	66,744	44,519	119,526	1,031	249,923
Charge for the year	-	117	20	987	16,869	11,707	9,533	283	39,516
Disposals	-	-	-	-	(116)	(3,665)	(133)	(547)	(4,461)
Written off	-	-	-	-	(4,028)	(3,703)	(380)	(5)	(8,116)
Transfer	-	(277)	277	-	-	-	-	-	-
At end of year	-	2,621	814	15,792	79,469	48,858	128,546	762	276,862
ACCUMULATED IMPAIRMENT									
At beginning/end of year	-	-	-	3,956	-	-	-	-	3,956
NET CARRYING AMOUNT	2,962	9,946	1,036	30,595	33,144	16,312	8,908	1,650	104,553

15. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

BANK	Freehold land	← Leasehold land → 50 years or more	Less than 50 years	Buildings	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2010									
COST									
At beginning of year									
- As previously stated	2,962	-	-	48,542	115,874	73,175	119,023	2,865	362,441
- Effects of adopting FRS 117 improvement (Note 51)	-	12,622	2,850	-	-	-	-	-	15,472
As restated	2,962	12,622	2,850	48,542	115,874	73,175	119,023	2,865	377,913
Additions	-	-	-	941	19,190	4,937	3,219	-	28,287
Disposals	-	(855)	(200)	(99)	(975)	(3,405)	(194)	(970)	(6,698)
Written off	-	-	-	-	(28,919)	(9,175)	(10,195)	-	(48,289)
At end of year	2,962	11,767	2,650	49,384	105,170	65,532	111,853	1,895	351,213
ACCUMULATED DEPRECIATION									
At beginning of year									
- As previously stated	-	-	-	12,915	71,793	47,332	100,731	1,386	234,157
- Effects of adopting FRS 117 improvement (Note 51)	-	2,781	555	-	-	-	-	-	3,336
As restated	-	2,781	555	12,915	71,793	47,332	100,731	1,386	237,493
Charge for the year	-	83	55	981	15,346	4,445	14,235	197	35,342
Disposals	-	(83)	(93)	(51)	(112)	(3,398)	(81)	(881)	(4,699)
Written off	-	-	-	-	(28,260)	(9,133)	(10,194)	-	(47,587)
At end of year	-	2,781	517	13,845	58,767	39,246	104,691	702	220,549
ACCUMULATED IMPAIRMENT									
At beginning/end of year	-	-	-	3,956	-	-	-	-	3,956
NET CARRYING AMOUNT	2,962	8,986	2,133	31,583	46,403	26,286	7,162	1,193	126,708

15. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

GROUP	Freehold land	← Leasehold land → 50 years or more	Less than 50 years	Buildings	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2010									
COST									
At beginning of year									
- As previously stated	2,962	-	-	50,442	126,824	80,174	139,755	4,734	404,891
- Effects of adopting FRS 117 improvement (Note 51)	-	12,622	2,850	-	-	-	-	-	15,472
As restated	2,962	12,622	2,850	50,442	126,824	80,174	139,755	4,734	420,363
Additions	-	-	-	-	20,074	5,111	3,273	-	28,458
Disposals	-	(855)	(200)	(99)	(1,022)	(3,443)	(1,781)	(2,016)	(9,416)
Written off	-	-	-	-	(30,565)	(9,743)	(10,485)	-	(50,793)
At end of year	2,962	11,767	2,650	50,343	115,311	72,099	130,762	2,718	388,612
ACCUMULATED DEPRECIATION									
At beginning of year									
- As previously stated	-	-	-	13,875	80,048	52,688	114,478	2,752	263,841
- Effects of adopting FRS 117 improvement (Note 51)	-	2,781	555	-	-	-	-	-	3,336
As restated	-	2,781	555	13,875	80,048	52,688	114,478	2,752	267,177
Charge for the year	-	83	55	981	16,331	4,937	17,190	192	39,769
Disposals	-	(83)	(93)	(51)	(116)	(3,435)	(1,668)	(1,913)	(7,359)
Written off	-	-	-	-	(29,519)	(9,671)	(10,474)	-	(49,664)
At end of year	-	2,781	517	14,805	66,744	44,519	119,526	1,031	249,923
ACCUMULATED IMPAIRMENT									
At beginning/end of year	-	-	-	3,956	-	-	-	-	3,956
NET CARRYING AMOUNT	2,962	8,986	2,133	31,582	48,567	27,580	11,236	1,687	134,733

16. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The net deferred tax assets and liabilities shown in the statement of financial position after appropriate offsetting are as follows:

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets, net	75,272	65,900	108,808	102,722
Deferred tax liabilities, net	-	-	(6,792)	(1)
	75,272	65,900	102,016	102,721
At beginning of year	65,900	73,129	102,721	120,510
Effects of adopting FRS 139	(24,043)	-	(34,482)	-
As restated	41,857	73,129	68,239	120,510
Recognised in statement of comprehensive income (Note 34)	31,652	(9,981)	31,796	(22,034)
Recognised in equity	1,763	2,752	1,981	4,245
At end of year	75,272	65,900	102,016	102,721
Deferred tax assets				
- to be recovered more than 12 months	39,724	36,469	68,291	66,105
- to be recovered within 12 months	35,548	29,431	40,517	36,617
	75,272	65,900	108,808	102,722
Deferred tax liabilities				
- to be recovered more than 12 months	-	-	212	-
- to be recovered within 12 months	-	-	(7,004)	(1)
	-	-	(6,792)	(1)

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	90,892	84,138	118,528	122,669
Deferred tax liabilities	(15,620)	(18,238)	(16,512)	(19,948)
	75,272	65,900	102,016	102,721

16. DEFERRED TAX (CONTD.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

BANK	Allowance for losses on loans, advances and financing RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets			
At 1 April 2009	79,460	11,725	91,185
Recognised in statement of comprehensive income	(13,305)	3,506	(9,799)
Recognised in equity	-	2,752	2,752
At 31 March 2010	66,155	17,983	84,138
Effects of adopting FRS 139	(9,913)	(14,130)	(24,043)
As restated	56,242	3,853	60,095
Recognised in statement of comprehensive income	12,083	16,951	29,034
Recognised in equity	-	1,763	1,763
At 31 March 2011	68,325	22,567	90,892

	Property, plant and equipment RM'000	Total RM'000
Deferred tax liabilities		
At 1 April 2009	18,056	18,056
Recognised in statement of comprehensive income	182	182
At 31 March 2010	18,238	18,238
Recognised in statement of comprehensive income	(2,618)	(2,618)
At 31 March 2011	15,620	15,620

16. DEFERRED TAX (CONTD.)

GROUP	Allowance for losses on loans, advances and financing RM'000	Unabsorbed tax losses and capital allowance RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets				
At 1 April 2009	96,242	6,331	38,527	141,100
Recognised in statement of comprehensive income	(12,357)	(1,838)	(8,481)	(22,676)
Recognised in equity	-	-	4,245	4,245
At 31 March 2010	83,885	4,493	34,291	122,669
Effects of adopting FRS 139	(9,869)	-	(24,613)	(34,482)
As restated	74,016	4,493	9,678	88,187
Recognised in statement of comprehensive income	11,622	(260)	16,998	28,360
Recognised in equity	-	-	1,981	1,981
At 31 March 2011	85,638	4,233	28,657	118,528

	Property, plant and equipment RM'000	Total RM'000
Deferred tax liabilities		
At 1 April 2009	20,590	20,590
Recognised in statement of comprehensive income	(642)	(642)
At 31 March 2010	19,948	19,948
Recognised in statement of comprehensive income	(3,436)	(3,436)
At 31 March 2011	16,512	16,512

	GROUP	
	2011 RM'000	2010 RM'000
Deferred tax assets of the Group have not been recognised in respect of:		
Unabsorbed tax losses	5,775	11,148

17. INTANGIBLE ASSETS

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Goodwill				
Cost:				
At beginning/end of year	186,317	186,317	304,149	304,149
Accumulated impairment:				
At beginning of year	(45)	-	(2,084)	-
Allowance for impairment (Note 33)	-	(45)	-	(2,084)
At end of year	(45)	(45)	(2,084)	(2,084)
Net carrying amount	186,272	186,272	302,065	302,065
Computer software				
Cost:				
At beginning of year	167,816	161,509	172,922	166,590
Additions	10,222	13,294	10,400	13,326
Disposal	(177)	-	(286)	-
Written off	(56)	(6,987)	(56)	(6,994)
At end of year	177,805	167,816	182,980	172,922
Accumulated amortisation:				
At beginning of year	(109,020)	(98,634)	(113,129)	(102,227)
Charge for the year	(14,014)	(15,784)	(14,420)	(16,307)
Disposal	43	-	131	-
Written off	55	5,398	55	5,405
At end of year	(122,936)	(109,020)	(127,363)	(113,129)
Net carrying amount	54,869	58,796	55,617	59,793
Total carrying amount of goodwill and computer software	241,141	245,068	357,682	361,858

17. INTANGIBLE ASSETS (CONTD.)

(a) Impairment Test on Goodwill

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. Goodwill has been allocated to the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisitions, identified according to the business segments as follows:

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Corporate banking	25,368	25,368	44,758	44,758
Commercial banking	13,459	13,459	13,459	13,459
Small and medium enterprise banking	42,621	42,621	42,621	42,621
Consumer banking	67,513	67,513	101,565	101,565
Financial markets	36,960	36,960	83,284	83,284
Corporate finance and equity capital market	40	40	1,838	1,838
Stock-broking business	266	266	12,433	12,433
Asset management	45	45	2,107	2,107
	186,272	186,272	302,065	302,065

For annual impairment testing purposes, the recoverable amount of the CGUs, which are reportable business segments, are determined based on their value-in-use. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budget and projections approved by management. The key assumptions for the computation of value-in-use include the discount rates, cash flow projection and growth rates applied are as follows:

(i) Discount rate

The discount rate of 11.25% (2010: 10.2%) are based on the pre-tax weighted average cost of capital plus an appropriate risk premium, that reflect specific risks relating to the Bank. The pre-tax weighted average cost of capital is generally derived from an appropriate capital asset pricing model, which itself depends on inputs reflecting a number of financial and economic variables including the risk-free rate in the country.

(ii) Cash flow projections and growth rate

Cash flow projections are based on five-year financial budget and projections approved by management. Cash flows beyond the fifth year are extrapolated in perpetuity using a nominal long term growth rate of 6.5% (2010: 6.5%) based on average annual Gross Domestic Product growth rate forecasted for the 10 years from year 2011 to 2020 reported in the Third Industrial Master Plan. Cash flows are extrapolated in perpetuity due to the long term perspective of these businesses within the Group.

Impairment is recognised in the statement of comprehensive income when the carrying amount of a CGU exceeds its recoverable amount. This annual impairment test review reveals that there was no evidence of impairment for the financial year.

(b) Sensitivity to Changes in Assumptions

Any reasonable possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGU, which would warrant any impairment to be recognised.

18. DEPOSITS FROM CUSTOMERS

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Demand deposits	6,611,320	6,832,336	8,010,441	8,122,535
Savings deposits	1,326,520	1,395,887	1,633,845	1,679,449
Fixed/investment deposits	12,516,010	11,240,276	15,230,479	12,853,243
Money market deposits	2,377,219	941,149	3,043,464	1,164,796
Negotiable instruments of deposits	501,988	-	993,052	409,092
Structured deposits [Note (a)]	85,811	41,263	85,811	41,263
	23,418,868	20,450,911	28,997,092	24,270,378

Note:

(a) Structured deposits represent foreign currency time deposits with embedded foreign exchange and gold commodity linked options.

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
(i) The maturity structure of fixed/ investment deposits, money market deposits and negotiable instruments of deposits are as follows:				
Due within six months	11,251,070	8,103,403	14,494,558	10,018,961
Six months to one year	3,857,753	3,354,111	4,502,541	3,672,184
One year to three years	273,713	694,433	256,649	705,860
Three years to five years	12,681	29,478	13,247	30,126
	15,395,217	12,181,425	19,266,995	14,427,131
(ii) The deposits are sourced from the following types of customers:				
Domestic financial institutions	507,011	6,894	998,676	415,986
Government and statutory bodies	518,610	545,646	1,069,088	837,472
Business enterprises	8,471,286	6,724,921	10,762,527	8,794,156
Individuals	13,254,543	12,550,989	15,227,162	13,531,116
Others	667,418	622,461	939,639	691,648
	23,418,868	20,450,911	28,997,092	24,270,378

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Licensed banks	384,194	937,564	744,993	1,385,564
Licensed investment banks	150,228	140,000	280,380	80,000
Licensed Islamic banks	-	-	6,000	75,000
Bank Negara Malaysia	855,909	718,479	920,827	749,102
	1,390,331	1,796,043	1,952,200	2,289,666

20. AMOUNT DUE TO CAGAMAS BERHAD

This relates to proceeds received from conventional housing loans and hire purchase loans sold directly to Cagamas Berhad with recourse to the Bank. Under the agreement, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined and agreed upon prudential criteria set by Cagamas Berhad.

21. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represents the Bank's own bills and acceptances rediscounted and outstanding in the market.

22. BALANCES DUE TO CLIENTS AND BROKERS

	GROUP	
	2011	2010
	RM'000	RM'000
Due to clients	80,460	75,984
Due to brokers	6,283	4,265
	86,743	80,249

These mainly relate to amounts payable to non-margin clients and outstanding contracts entered into on behalf of clients where settlement via the Bursa Malaysia Securities Clearing Sdn. Bhd. has yet to be made.

The Group's normal trade credit terms for non-margin clients is three (3) market days according to the Bursa's FDSS trading rules.

23. OTHER LIABILITIES

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Other payables and accruals	663,533	676,980	785,944	767,224
Interest/income payable	-	76,966	-	104,691
Remisiers' accounts	-	-	24,373	23,454
Amount due to immediate holding company	-	-	-	6
	663,533	753,946	810,317	895,375

24. SUBORDINATED BONDS

	BANK/GROUP	
	2011	2010
	RM'000	RM'000
At face value	600,000	600,000

The following are the salient features of the said bonds:

- Issue date: 26 May 2006
- Tenor of the facility/issue: 10-year from the issue date on a non-callable 5 year basis
- Anniversary date: 26 May
- Maturity date: 26 May 2016
- Interest coupon: 6.09% per annum, subject to revision of rate in year six
- Revision of interest: The bonds, unless redeemed at the end of five (5) years from the settlement date, shall bear interest of 7.59% per annum from the sixth year onwards until the final redemption
- Optional redemption: The issuer may, at its option, redeem the subordinated bonds in part or in whole, at any anniversary date on or after five (5) years from the issue date
- Final redemption: At par on maturity date

25. SHARE CAPITAL

	BANK/GROUP	
	2011	2010
	RM'000	RM'000
Authorised:		
4,995,000,000 ordinary shares of RM1 each	4,995,000	4,995,000
500,000,000 irredeemable (non-cumulative) convertible preference shares ("ICPS") of RM0.01 each	5,000	5,000
	5,000,000	5,000,000
Issued and fully paid:		
Ordinary shares:		
At 1 April/31 March		
596,517,043 ordinary shares of RM1 each	596,517	596,517
ICPS:		
At 1 April/31 March		
400,000,000 ICPS of RM0.01 each	4,000	4,000
	600,517	600,517

25. SHARE CAPITAL (CONTD.)

The salient terms of the ICPS are as follows:

(a) The Bank shall be entitled at its option at any time from the issue date to convert all or any of the ICPS on the basis of Two (2) ICPS for One (1) ordinary share at Ringgit Malaysia Two (RM2.00) only per share at any time and the ordinary shares resulting from such conversion shall rank pari passu in all respects with the remaining ordinary shares;

(b) The holders of ICPS shall be entitled to receive notice of and attend all General Meetings and be heard but have no right to vote except on resolutions for winding-up of the Bank, for any reduction in capital of the Bank or for any amendment of the Memorandum of Articles of Association of the Bank affecting the rights of the holders;

(c) Upon any winding-up of the Bank, the holder of the ICPS shall be entitled to the repayment of capital of RM0.01 in priority to the ordinary shares but shall not be entitled to any participation in surplus assets and profits;

(d) The holders of the ICPS shall rank pari passu amongst themselves and shall rank after all secured and unsecured obligations but will rank ahead of the ordinary shares of the Bank; and

(e) The holders of the ICPS shall have a right to receive a non-cumulative preferential dividend of five (5) sen per annum per share, provided that there are profits available for distribution.

26. RESERVES

		BANK		GROUP	
	Note	2011	2010	2011	2010
		RM'000	RM'000	RM'000	RM'000
Non-distributable:					
Statutory reserve	(a)	601,561	601,561	786,406	735,515
Capital reserve	(b)	-	-	10,018	10,018
Revaluation reserves	(c)	43,051	5,952	68,620	7,440
Equity contribution from parent	(d)	11,803	10,334	13,544	12,185
Share premium	(e)	597,517	597,517	597,517	597,517
Profit equalisation reserve	(f)	-	-	1,033	26,388
		1,253,932	1,215,364	1,477,138	1,389,063
Distributable:					
Retained profits	(g)	1,148,228	911,593	1,194,222	882,471
		2,402,160	2,126,957	2,671,360	2,271,534

(a) The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and Section 15 of the Islamic Banking Act, 1983 and is not distributable as dividends.

(b) Capital reserve is in respect of retained profits capitalised for a bonus issue by a subsidiary company.

(c) The revaluation reserves are in respect of unrealised fair value gains and losses on financial investments available-for-sale.

26. RESERVES (CONTD.)

(d) The equity contribution from parent relates to the equity-settled share options/share grants to Directors and employees. This reserve is made up of the estimated fair value of the share options/share grants based on the cumulative services received from Directors and employees over the vesting period.

(e) Share premium relating to:

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
- ordinary shares	201,517	201,517	201,517	201,517
- ICPS	396,000	396,000	396,000	396,000
	597,517	597,517	597,517	597,517

(f) Profit equalisation reserve which is derived in accordance with the "Framework of Rate of Return" (BNM/GP2-i).

(g) Prior to 1 January 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credit under Section 108 of the Income Tax Act, 1967 and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Bank did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the Section 108 balance as at 31 March 2011 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 31 March 2011, the Bank has sufficient credits in the Section 108 balance to pay franked dividends out of its entire retained profits.

27. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME

The Alliance Financial Group Berhad Employees' Share Scheme ("AFG Bhd ESS") is governed by the Bye-Laws approved by the shareholders at an Extraordinary General Meeting held on 28 August 2007. The AFG Bhd ESS which comprises the Share Option Plan, the Share Grant Plan and the Share Save Plan took effect on 3 December 2007 and is in force for a period of 10 years.

There were no share options offered under the Share Save Plan during the financial year.

The salient features of the AFG Bhd ESS are as follows:

(i) The ESS is implemented and administered by the Employees' Share Participating Scheme Committee ("ESPS Committee") in accordance with the Bye-Laws.

(ii) The total number of shares which may be available under the AFG Bhd ESS shall not exceed in aggregate 10% of the total issued and paid-up share capital of AFG Bhd at any one time during the existence of the AFG Bhd ESS and out of which not more than 50% of the shares available under the AFG Bhd ESS shall be allocated, in aggregate, to Directors and senior management. In addition, not more than 10% of the shares available under the AFG Bhd ESS shall be allocated to any individual Director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of AFG Bhd.

(iii) The subscription price for each share under the Share Option Plan, Share Grant Plan and Share Save Plan may be at a discount (as determined by the ESPS Committee or such other pricing mechanism as may from time to time be permitted by Bursa Malaysia Securities Berhad or such other relevant regulatory authorities), provided that the discount shall not be more than 10% from the 5-day weighted average market price of AFG Bhd's shares transacted on Bursa Malaysia Securities Berhad immediately preceding the date on which an offer is made or at par value of the shares, whichever is higher.

(iv) The ESPS Committee may at its discretion offer to any Director or employee of a corporation in the Group to participate in the AFG Bhd ESS if the Director or employee:

(a) has attained the age of 18 years;
(b) in the case of a Director, is on the board of directors of a corporation in the Group;
(c) in the case of an employee, is employed by a corporation in the Group; and
(d) is not a participant of any other employee share option scheme implemented by any other corporation within the Group which is in force for the time being

provided that the non-executive directors of the Group who are not employed by a corporation in the Group shall not be eligible to participate in the Share Save Plan.

(v) Under the Share Option Plan and Share Grant Plan, the ESPS Committee may stipulate the performance targets, performance period, value and/or other conditions deemed appropriate.

(vi) Under the Share Save Plan, the ESPS Committee may at its discretion offer Share Save Option(s) to any employees of the Group to subscribe for AFG Bhd's shares and the employee shall authorise deductions to be made from his/her salary.

(vii) AFG Bhd may decide to satisfy the exercise of options / awards of shares under the AFG Bhd ESS through the issue of new shares, transfer of existing shares or a combination of both new and existing shares.

(viii) AFG Bhd may appoint or authorise the trustee of the AFG Bhd ESS to acquire its shares from the open market to give effect to the AFG Bhd ESS.

Save for Sng Seow Wah, who is the Group Chief Executive Officer of the Bank, none of the other Directors of the Bank were offered/awarded any share options/share grants during the financial year.

27. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME (CONTD.)

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options/grants during the financial year:

BANK
2011

	Share Options Number of Share Options				**Share Grants** Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2008 Share Scheme	4,731	-	(1,284)	3,447	593	-	(511)	(82)	-
2009 Share Scheme	6,067	-	(1,675)	4,392	1,565	-	(735)	(222)	608
2010 Share Scheme	6,781	-	(1,590)	5,191	1,968	-	-	(430)	1,538
2011 Share Scheme	-	7,130	(1,318)	5,812	-	1,962	-	(388)	1,574
	17,579	7,130	(5,867)	18,842	4,126	1,962	(1,246)	(1,122)	3,720
WAEP	2.68	3.15	2.79	2.82					

2010

	Share Options Number of Share Options				**Share Grants** Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2008 Share Scheme	6,753	-	(2,022)	4,731	1,514	-	(692)	(229)	593
2009 Share Scheme	8,557	-	(2,490)	6,067	2,009	-	-	(444)	1,565
2010 Share Scheme	-	8,801	(2,020)	6,781	-	2,286	-	(318)	1,968
	15,310	8,801	(6,532)	17,579	3,523	2,286	(692)	(991)	4,126
WAEP	2.86	2.38	2.71	2.68					

GROUP
2011

	Share Options Number of Share Options				**Share Grants** Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2008 Share Scheme	5,707	-	(1,577)	4,130	704	-	(595)	(109)	-
2009 Share Scheme	7,190	-	(2,053)	5,137	1,828	-	(829)	(297)	702
2010 Share Scheme	7,992	-	(2,069)	5,923	2,255	-	-	(526)	1,729
2011 Share Scheme	-	7,867	(1,334)	6,533	-	2,147	-	(394)	1,753
	20,889	7,867	(7,033)	21,723	4,787	2,147	(1,424)	(1,326)	4,184
WAEP	2.68	3.15	2.77	2.82					

2010

	Share Options Number of Share Options				**Share Grants** Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2008 Share Scheme	7,846	-	(2,139)	5,707	1,773	-	(808)	(261)	704
2009 Share Scheme	9,784	-	(2,594)	7,190	2,306	-	-	(478)	1,828
2010 Share Scheme	-	10,079	(2,087)	7,992	-	2,597	-	(342)	2,255
	17,630	10,079	(6,820)	20,889	4,079	2,597	(808)	(1,081)	4,787
WAEP	2.86	2.38	2.72	2.68					

(a) Details of share options/grants at the end of financial year:

	WAEP RM	**Exercise Period**
2008 Share Options	3.07	12.12.2010 - 11.12.2014
2009 Share Options	2.70	02.09.2011 - 01.09.2015
2010 Share Options	2.38	25.08.2012 - 24.08.2016
2011 Share Options	2.99	23.09.2013 - 22.09.2017

27. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME (CONTD.)

(a) Details of share options/grants at the end of financial year (contd.):

		Vesting Dates
2008 Share Grants	- First 50% of the share grants	12.12.2009
	- Second 50% of the share grants	12.12.2010
2009 Share Grants	- First 50% of the share grants	02.09.2010
	- Second 50% of the share grants	02.09.2011
2010 Share Grants	- First 50% of the share grants	25.08.2011
	- Second 50% of the share grants	25.08.2012
2011 Share Grants	- First 50% of the share grants	23.09.2012
	- Second 50% of the share grants	23.09.2013

(b) Fair value of share options/grants offered/awarded:

The fair value of share options/grants under the Share Option Plan and the Share Grant Plan during the financial year was estimated by an external valuer using a binomial model, taking into account the terms and conditions upon which the share options/share grants were offered/awarded. The fair value of share options and share grants measured at offer/award date and the assumptions are as follows:

	Share Options			
	2008	**2009**	**2010**	**2011**
Fair value of the shares as at grant date,				
- 12 December 2007 (RM)	0.8072	-	-	-
- 2 September 2008 (RM)	-	0.7040	-	-
- 25 August 2009 (RM)	-	-	0.7489	-
- 23 September 2010 (RM)	-	-	-	0.8980
Weighted average share price (RM)	3.1000	2.6600	2.4000	3.1300
Weighted average exercise price (RM)	3.0696	2.6989	2.3784	3.1480
Expected volatility (%)	0.2617	0.2709	0.3403	0.3115
Expected life (years)	7	7	7	7
Risk free rate (%)	3.57 to 4.57	3.79 to 5.22	2.04 to 4.61	2.92 to 4.04
Expected dividend yield (%)	1.78	1.78	1.78	1.78

	Share Grants			
	2008	**2009**	**2010**	**2011**
Fair value of the shares as at grant date,				
- 12 December 2007 (RM)	2.9639	-	-	-
- 2 September 2008 (RM)	-	2.5432	-	-
- 25 August 2009 (RM)	-	-	2.2941	-
- 23 September 2010 (RM)	-	-	-	2.9930
Weighted average share price (RM)	3.1000	2.6600	2.4000	3.1300
Expected volatility (%)	0.2617	0.2709	0.3403	0.3115
Risk free rate (%)	3.57 to 4.57	3.79 to 5.22	2.04 to 4.61	2.92 to 4.04
Expected dividend yield (%)	1.78	1.78	1.78	1.78

27. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME (CONTD.)

(b) Fair value of share options/grants offered/awarded (contd.):

The expected life of the share options is based on the exerciable period of the option and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the share option/share grant were incorporated into the measurement of fair value.

The risk-free rate is employed using a range of risk-free rates for Malaysian Government Securities ("MGS") tenure from 1-year to 20-year MGS.

28. INTEREST INCOME

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Loans, advances and financing	803,854	742,422	841,945	778,248
Money at call and deposit placements with financial institutions	71,294	81,192	36,817	55,936
Financial assets held-for-trading	1,044	196	1,044	684
Financial investments available-for-sale	146,531	119,504	206,340	177,102
Financial investments held-to-maturity	24,187	13,089	30,682	17,251
Others	4,393	6,024	4,393	6,024
	1,051,303	962,427	1,121,221	1,035,245
Accretion of discount less amortisation of premium	75,141	33,912	82,179	27,342
	1,126,444	996,339	1,203,400	1,062,587

Included in interest income on loans, advances and financing for the current year is interest accrued on impaired loans of the Bank and the Group of RM7,089,000 and RM8,093,000 respectively. Interest income accrued on impaired loans for the comparative financial year, prior to the adoption of FRS 139, was suspended.

29. INTEREST EXPENSE

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits and placements of banks and other financial institutions	35,674	30,246	55,345	39,176
Deposits from customers	409,910	370,597	429,538	387,597
Loans sold to Cagamas	642	254	642	254
Subordinated bonds	36,540	36,540	36,540	36,540
Others	7,773	10,800	7,938	10,932
	490,539	448,437	530,003	474,499

30. OTHER OPERATING INCOME

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
(a) Fee income:				
Commissions	44,478	40,749	35,031	30,105
Service charges and fees	31,568	35,847	34,529	36,204
Portfolio management fees	-	-	6,628	6,290
Corporate advisory fees	-	-	3,064	1,130
Underwriting commissions	-	-	949	-
Brokerage fees	-	-	17,837	26,613
Guarantee fees	8,405	7,203	8,603	7,256
Processing fees	8,458	3,905	11,779	6,000
Commitment fees	14,042	13,769	14,042	13,768
Other fee income	13,909	20,942	14,617	20,951
	120,860	122,415	147,079	148,317
(b) Investment income:				
Gain/(loss) arising from sale/ redemption of:				
- Financial assets held-for-trading	417	363	417	(228)
- Financial investments held-to-maturity	3	-	3	-
- Financial investments available-for-sale	1,872	9,688	3,509	11,944
Unrealised gain/(loss) from revaluation of:				
- Financial assets held-for-trading	220	27	256	(5,152)
- Derivative instruments	4,149	3,266	4,149	3,266
Realised gain on derivative instruments	43,925	35,533	43,925	35,533
Gross dividend income from:				
- Financial investments available-for-sale	2,886	5,806	3,705	6,321
- Subsidiaries	17,263	18,935	-	-
	70,735	73,618	55,964	51,684
(c) Other income/(expense):				
Foreign exchange gain	7,170	11,673	7,415	11,673
Rental income	289	313	-	88
(Loss)/gain on disposal of property, plant and equipment	(321)	14	(329)	362
(Loss)/gain on disposal of foreclosed properties	(38)	7,029	(38)	7,029
Loss on liquidation of subsidiaries	-	-	-	(50)
Others	14,346	13,691	15,610	14,210
	21,446	32,720	22,658	33,312
Total other operating income	213,041	228,753	225,701	233,313

31. OTHER OPERATING EXPENSES

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Personnel costs				
- Salaries, allowances and bonuses	181,437	193,906	253,153	254,485
- Contribution to EPF	30,714	30,424	42,247	40,000
- Share options/grants under ESS	4,852	5,772	5,228	6,915
- Others	23,974	24,573	32,043	29,697
	240,977	254,675	332,671	331,097
Establishment costs				
- Depreciation of property, plant and equipment	34,908	35,342	39,516	39,769
- Amortisation of computer software	14,014	15,784	14,420	16,307
- Rental of premises	19,255	22,139	26,157	30,223
- Water and electricity	4,901	5,946	5,459	7,270
- Repairs and maintenance	7,689	6,267	10,123	8,322
- Information technology expenses	22,488	22,353	29,338	29,046
- Others	(942)	14,604	13,406	24,887
	102,313	122,435	138,419	155,824
Marketing expenses				
- Promotion and advertisement	6,096	4,838	8,912	9,420
- Branding and publicity	4,807	2,737	4,861	2,790
- Others	3,717	3,285	4,801	4,294
	14,620	10,860	18,574	16,504
Administration and general expenses				
- Communication expenses	8,516	9,004	11,677	11,838
- Printing and stationery	3,452	3,282	4,616	4,480
- Insurance	9,522	5,024	10,500	4,527
- Professional fees	13,279	8,715	13,487	11,338
- Others	7,084	11,345	11,738	16,035
	41,853	37,370	52,018	48,218
Total other operating expenses	399,763	425,340	541,682	551,643

Included in the other operating expenses are the following:

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Auditors' remuneration				
- statutory audit fees	469	487	722	715
- audit related fees	469	320	725	457
- tax compliance fees	418	43	575	125
- tax related services	355	-	355	-
- other services	679	478	689	489
Hire of equipment	3,611	3,855	3,616	3,855
Property, plant and equipment written off	3,261	702	3,399	1,129
Computer software written off	1	1,589	1	1,589

32. ALLOWANCE FOR/(WRITE-BACK OF) LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER LOSSES

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Allowance for/(write-back of) bad and doubtful debts and financing:				
(a) Individual assessment allowance				
- Made during the year (net)	69,518	-	87,812	-
(b) Collective assessment allowance				
- Made during the year (net)	8,006	-	15,992	-
(c) Specific allowance				
- Made during the year	-	255,307	-	331,471
- Written back during the year	-	(182,425)	-	(292,765)
(d) General allowance				
- Made during the year	-	38,162	-	59,732
- Written back during the year	-	(72,035)	-	(77,041)
(e) Bad debts on loans and financing				
- Recovered	(62,442)	(50,055)	(80,844)	(59,246)
- Written off	836	273	3,988	435
	15,918	(10,773)	26,948	(37,414)
(Write-back of)/allowance for commitment and contingencies	(2,866)	1,433	59	1,433
Allowance for other assets	6,353	4,077	6,001	3,723
	19,405	(5,263)	33,008	(32,258)

33. (WRITE-BACK OF)/ALLOWANCE FOR IMPAIRMENT

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(Write-back of)/allowance for impairment on securities:				
- Financial investments available-for-sale [Note (a)]	(579)	102,863	(585)	134,712
- Financial investments held-to-maturity	(3,491)	450	(3,491)	(3,900)
Write-back of impairment on foreclosed properties	-	-	-	(15)
Allowance for impairment on goodwill (Note 17)	-	45	-	2,084
	(4,070)	103,358	(4,076)	132,881

Note:

(a) In the previous financial year, the Bank and the Group made impairment allowances of RM103,436,000 and RM141,450,000 respectively relating to a Collateralised Loan Obligations.

34. TAXATION AND ZAKAT

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Provision for current year	121,704	65,667	153,881	91,564
Under/(over) provision in prior years	22,386	(5,606)	21,934	(5,170)
	144,090	60,061	175,815	86,394
Deferred tax (Note 16)	(31,652)	9,981	(31,796)	22,034
Taxation	112,438	70,042	144,019	108,428
Zakat	-	-	362	93
	112,438	70,042	144,381	108,521

Income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Bank and of the Group is as follows:

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	433,848	253,220	559,749	414,959
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	108,462	63,305	139,938	103,739
Effect of income not subject to tax	(2,078)	(1,920)	(2,423)	(1,946)
Effect of expenses not deductible for tax purposes	6,784	8,319	8,116	8,973
Unabsorbed tax losses which deferred tax recognised during the year	-	-	(1,637)	(3,552)
(Over)/under provision of deferred tax in prior years	(23,116)	5,944	(21,909)	6,384
Under/(over) provision of tax expense in prior years	22,386	(5,606)	21,934	(5,170)
Tax expense for the year	112,438	70,042	144,019	108,428

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Tax savings during the year arising from:				
- utilisation of current year tax losses	-	-	-	81
- utilisation of tax losses brought forward from previous year	-	-	3,481	7,185

35. EARNINGS PER SHARE

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2011	2010
	RM'000	RM'000
Profit for the year attributable to ordinary equity holders	415,419	306,362
	2011	2010
	'000	'000
Weighted average numbers of ordinary shares in issue	596,517	596,517
	2011	2010
	sen	sen
Basic earnings per share	70	51

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Group and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. Irredeemable (non-cumulative) Convertible Preference Shares ("ICPS").

	GROUP	
	2011	2010
	RM'000	RM'000
Profit for the year attributable to ordinary equity holders	415,419	306,362
	GROUP	
	2011	2010
	'000	'000
Weighted average numbers of ordinary shares in issue	596,517	596,517
Effect of dilution:		
ICPS	200,000	200,000
	796,517	796,517
	2011	2010
	sen	sen
Diluted earnings per share	52	38

36. DIVIDENDS

(a) Dividends on Ordinary Shares:

	Recognised during the year	
	2011	2010
	RM'000	RM'000
Final		
5.3 sen less 25% taxation on 596,517,043 ordinary shares, declared in financial year ended 31 March 2009, and paid on 23 June 2009	-	23,712
Interim		
14.2 sen less 25% taxation on 596,517,043 ordinary shares, declared in financial year ended 31 March 2010, and paid on 11 February 2010	-	63,529
Final		
12.0 sen less 25% taxation on 596,517,043 ordinary shares, declared in financial year ended 31 March 2010, and paid on 28 July 2010	53,686	-
Interim		
9.2 sen less 25% taxation on 596,517,043 ordinary shares, declared in financial year ended 31 March 2011, and paid on 29 November 2010	41,160	-
	94,846	87,241

A final dividend of 22.3 sen, less 25% taxation on 596,517,043 ordinary shares amounting to approximately RM99,767,000 (gross dividend: RM133,023,000) in respect of current financial year will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The accompanying financial statements do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2012.

The following is the analysis of dividends per share in respect of the financial year when the dividends were declared or proposed:

	Net dividends per Ordinary Share	
	2011	2010
	Sen	Sen
Proposed:		
Final dividend of 22.3 sen less 25% tax	16.72	-
Final dividend of 12.0 sen less 25% tax	-	9.00
Paid:		
Interim dividend of 9.2 sen less 25% tax	6.90	-
Interim dividend of 14.2 sen less 25% tax	-	10.65
	23.62	19.65

36. DIVIDENDS (CONTD.)

(b) Dividends on Preference Shares:

	Recognised during the year		Net dividends per Preference Share	
	2011 RM'000	2010 RM'000	2011 Sen	2010 Sen
Final				
5 sen per share, tax exempt dividend under the single tier tax on 400,000,000 preference shares, declared in financial year ended 31 March 2010, and paid on 11 December 2009	-	20,000	-	5.00
Final				
5 sen per share, tax exempt dividend under the single tier tax on 400,000,000 preference shares, declared in financial year ended 31 March 2011, and paid on 29 November 2010	20,000	-	5.00	-

37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the Bank's and the Group's other significant related party transactions and balances:

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(a) Transactions				
Interest income				
- subsidiaries	(10,874)	(25,210)	-	-
- key management personnel	(6)	(19)	(6)	(42)
Dividend income				
- subsidiaries	(17,263)	(18,935)	-	-
Management fees				
- holding company	(348)	(348)	(348)	(348)
- subsidiaries	(6,772)	(5,534)	-	-
Rental income				
- subsidiaries	(438)	(972)	-	-
Other operating expenses recharged				
- subsidiaries	(89,938)	(80,277)	-	-
Other income				
- subsidiaries	(837)	(2,876)	-	-

37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
(a) Transactions (contd.)				
Commission paid				
- subsidiaries	(15,433)	(24,038)	-	-
Interest expenses				
- holding company	16,560	15,771	18,176	16,946
- subsidiaries	1,201	364	-	-
- an associate	33	29	33	30
- key management personnel	1,028	1,863	1,034	1,875
Rental expense of premises				
- subsidiaries	-	220	-	-
Management fees paid				
- holding company	396	396	780	780
- related companies	-	-	349	173
Other operating expenses				
- holding company	1,024	756	1,179	885
- subsidiary	3,318	563	-	-
- an associate	2	2	2	3
- related companies	-	-	2	-
Dividend paid				
- holding company	114,846	107,241	114,846	107,241
(b) Balances				
Amount due to				
Deposits from customers				
- holding company	(606,215)	(600,031)	(650,738)	(640,651)
- subsidiaries	(122,119)	(175,022)	-	-
- related companies	(12)	(783)	(12)	(232)
- an associate	(1,184)	(1,159)	(1,184)	(1,159)
- key management personnel	(29,057)	(65,894)	(40,825)	(66,111)
Loans, advances and financing				
- key management personnel	122	394	322	1,468
Overdraft				
- key management personnel	89	-	89	-
Money at call and deposit placements with financial institutions				
- subsidiaries	1,084,956	1,310,600	-	-
Other assets				
- holding company	5	223	5	223
- subsidiaries	22,040	18,407	-	-
- related companies	-	50	-	-
Other liabilities				
- holding company	-	(5,700)	-	(5,807)
- an associate	-	(12)	-	(12)

37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

Related companies refer to member companies of Alliance Financial Group Berhad, the holding company of the Bank.

Key management personnel refer to those persons having authority and responsibility for planning, directing and controlling the activities of the Bank and the Group, directly or indirectly, including Executive Directors and Non-Executive Directors of the Bank and the Group (including close members of their families). Other members of key management personnel of the Bank and the Group are the Group Chief Executive Officer, Group Chief Operating Officer, Group Chief Financial Officer, Group Chief Risk Officer and Group Chief Credit Officer.

The Group also had certain transactions during the year with Directors of the Bank, relating to deposit and placements, motor vehicle financing and house financing to Directors. The interest rates applied for eligible balances were in accordance with the staff scheme accorded to employees of the Bank.

(c) Compensation of key management personnel

Remuneration of Directors and other members of key management for the year is as follows:

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits				
- Fees	671	711	1,351	1,329
- Salary and other remuneration, including meeting allowances	4,910	4,502	6,159	6,255
- Contribution to EPF	570	433	714	660
- Share options/grants under ESS	471	244	705	711
Benefits-in-kind	46	54	55	93
	6,668	5,944	8,984	9,048

Included in the total key management personnel are:

Directors' remuneration (Note 39)	3,722	3,656	6,038	6,760

37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

Executive Directors of the Bank and the Group and other members of key management have been offered/awarded the following number of share options/share grants under the AFG Bhd ESS:

	Share Options		Share Grants	
	2011	2010	2011	2010
BANK	'000	'000	'000	'000
At beginning of year	519	3,691	70	538
Directors/key management personnel appointed during the year	183	-	24	-
Offered/awarded	1,212	1,841	194	235
Vested	-	-	(31)	(98)
Lapsed	-	(5,013)	-	(605)
At end of year	1,914	519	257	70

	Share Options		Share Grants	
	2011	2010	2011	2010
GROUP	'000	'000	'000	'000
At beginning of year	2,068	4,559	280	664
Directors/key management personnel appointed during the year	183	-	24	-
Offered/awarded	1,429	2,522	229	348
Vested	-	-	(57)	(127)
Lapsed	(906)	(5,013)	(125)	(605)
At end of year	2,774	2,068	351	280

The above share options/grants were offered/awarded on the same terms and conditions as those offered to other employees of the Group (Note 27).

38. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	BANK	
	2011 RM'000	2010 RM'000
Outstanding credit exposures with connected parties	160,950	137,839
of which:		
Total credit exposure which is impaired or in default	112	41
Total credit exposures	27,034,162	26,797,619
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	0.60%	0.51%
- which is impaired or in default	0.00%	0.00%

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with paragraph 9.1 of Bank Negara Malaysia's received Guidelines on Credit Transactions and Exposures with Connected Parties, which became effective on 1 January 2008.

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;

(iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments. It also includes holdings of equities and private debt securities issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

39. CEOs AND DIRECTORS' REMUNERATION

Remuneration in aggregate for all Chief Executive Officers ("CEO")/Directors charged to the statement of comprehensive income for the year is as follows:

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Chief Executive Officers:				
- Salary and other remuneration	984	1,901	1,765	3,253
- Bonuses	672	-	831	158
- Contribution to EPF	234	186	378	413
- Share options/grants under ESS	183	69	417	536
- Benefits-in-kind	46	28	55	67
	2,119	2,184	3,446	4,427
Non-executive Directors:				
- Fees	671	711	1,351	1,329
- Allowances	932	737	1,241	980
- Benefits-in-kind	-	24	-	24
	1,603	1,472	2,592	2,333
	3,722	3,656	6,038	6,760
Past Directors:				
- Salary and other remuneration, including meeting allowance	-	1	151	1
- Fees	-	2	30	4
- Contribution to EPF	-	-	20	-
- Benefits-in-kind	-	-	2	-
	-	3	203	5
	3,722	3,659	6,241	6,765
Total Directors' remuneration excluding benefits-in-kind	3,676	3,607	6,184	6,674

39. CEOs AND DIRECTORS' REMUNERATION (CONTD.)

	2011		2010	
	Executive Directors/ CEO	Non-Executive Directors	Executive Directors/ CEO	Non-Executive Directors
Directors of the Bank				
Below RM50,000	-	1	-	1
RM50,001 - RM100,000	-	-	-	-
RM100,001 - RM150,000	-	3	-	4
RM150,001 - RM200,000	-	2	-	3
RM200,001 - RM250,000	-	1	-	2
RM250,001 - RM300,000	-	1	-	-
RM300,001 - RM350,000	-	1	-	-
RM350,001 - RM400,000	-	-	-	-
RM400,001 - RM450,000	-	-	-	-
Above RM450,000	1	-	1	-

	2011		2010	
	Executive Directors/ CEO	Non-Executive Directors	Executive Directors/ CEO	Non-Executive Directors
Directors of the Group				
Below RM50,000	-	3	-	2
RM50,001 - RM100,000	-	-	-	1
RM100,001 - RM150,000	-	3	-	3
RM150,001 - RM200,000	-	-	-	-
RM200,001 - RM250,000	-	1	-	2
RM250,001 - RM300,000	-	-	-	1
RM300,001 - RM350,000	-	1	-	1
RM350,001 - RM400,000	-	1	-	1
RM400,001 - RM450,000	-	3	-	1
Above RM450,000	3	-	4	-

40. MATERIAL LITIGATIONS

(a) A corporate borrower had issued a Writ of Summons in 2005 against an agent bank for a syndicate of lenders comprising three banks of which our Bank is one of them, claiming for general, special and exemplary damages alleging a breach of duty and contract.

The credit facilities consist of a bridging loan of RM58.5 million and a revolving credit facility of RM4.0 million which were granted by the syndicate lenders of which the Bank's participation was RM18.5 million. In 2002, the credit facilities were restructured to a loan of RM30.0 million, of which the Bank's participation was RM8.31 million, payable over seven years. The syndicated lenders had also filed a suit against the corporate borrower for the recovery of the above-mentioned loan.

The two suits were then consolidated and heard together. On 6 May 2009, judgment was delivered against the agent bank for special damages amounting to RM115.0 million together with interest at the rate of 6% per annum from date of disbursement to date of realisation with general damages to be assessed by the Court.

The agent bank's solicitors had filed an appeal against the said decision. The Court had on 24 June 2009 granted a stay of execution of the judgment pending appeal to the Court of Appeal. The advice from the agent bank's solicitors is that they have a better than even chance of succeeding in the said appeal.

(b) The Bank had in 1999 filed a suit against a corporate borrower, hereinafter referred to as the first defendant and the second defendant as guarantor (collectively called "Defendants") for money outstanding due to a default in banking facility amounting to RM2.36 million. The Defendants in turn counter-claimed against the Bank for special damages amounting to RM15.5 million and general damages to be assessed by the Court for negligence and/or wrongful termination of the banking facilities, statutory interest on judgment sum, costs and such other and/or further relief deemed fit by the Court.

On 4 May 2009, the High Court in Kota Kinabalu granted judgment against the Bank by dismissing its claim and granted judgment in favour of the Defendants with damages to be assessed by the Deputy Registrar. At a clarification hearing held on 25 May 2009, the Court clarified that the Bank's liability to pay damages under the counter-claim is only in respect of general damages to be assessed by the Court and not special damages.

The Bank filed an appeal to the Court of Appeal against the High Court judgment and applied to the High Court for a stay of execution against the said judgment. On 3 August 2009, the High Court dismissed the Bank's application for stay of execution of the judgment granted in favour of the Defendants. The Bank then filed an appeal to the Court of Appeal against the said decision.

On 16 November 2009, the Court of Appeal dismissed the Bank's appeal for stay of execution with no order as to costs and directed that an early hearing date would be scheduled for the Bank's appeal proper.

The Court of Appeal had on 18 January 2011 allowed the Bank's appeal by dismissing the counter-claim against the Bank and allowing the Bank's claim against the Defendants. The Defendants have since filed an application for leave to appeal at the Federal Court against the said decision. The Defendant's Notice of Motion for leave to appeal to the Federal Court came up for hearing on 21 March 2011 and the judges adjourned the leave application to another date yet to be fixed pending receipt of Grounds of Judgment from the Court of Appeal.

Hearing for the assessment of damages which was initially fixed for decision on 14 March 2011 has been rescheduled for mention on 15 June 2011 pending outcome of the Defendants application for leave to appeal at the Federal Court.

Based on the advice from our solicitors, the Bank has a fair chance of success in its appeal.

40. MATERIAL LITIGATIONS (CONTD.)

(c) (i) The Bank had commenced a civil suit against an individual borrower in March 2007 for recovery of an overdraft facility secured by shares from the individual borrower and shares from a third party. The individual borrower counter-claimed against the Bank for various declarations amongst others that the Bank had acted wrongfully or in bad faith in demanding repayment of the facility and that there was in existence a collateral contract between the individual borrower, the Bank and the third party. In addition, the individual borrower is also claiming for general damages to be assessed by the courts.

The Bank filed its reply and defence to counter-claim on 7 July 2007.

The Court had fixed the matter for trial from 23 February 2011 to 25 February 2011 .

However, the individual borrower had also filed an application to consolidate the present suit with the suit stated under Note 40(c)(ii) below. On 27 January 2011, the judge allowed the said application. In view of this decision, the trial dates above have been vacated to another date and suit will be consolidated for hearing together with the suit under Note 40(c)(ii) below.

The Court has fixed the matter for further case management on 15 April 2011.

The Bank's solicitors are of the firm view that the Bank has good defence to the counter-claim.

(ii) Arising from the above-mentioned suit (Note 40(c)(i)), the third party in September 2008 filed a separate suit against the Bank for force selling the shares pledged by the third party. The third party alleges amongst others that the Bank sold the pledged shares off-market without notice to them in breach of the collateral contract between the third party and the Bank. The third party is claiming for damages for loss of the benefit of the shares pledged to the Bank, damages for conversion, damages for misrepresentation and for breach of contract.

The Bank had filed its defence to the suit on 13 November 2008.

The Court has set the matter down for trial from 13 June 2011 to 15 June 2011.

Court has fixed next case management on 15 April 2011 for clarification on the validity of the order to consolidate the present suit with Note 40(c)(i) above.

Meanwhile, the third party had filed an application for further interrogatories. On 9 December 2010, the Court allowed the third party's application for further interrogatories in part with costs in the cause. On 15 December 2010, the Bank filed its Notice of Appeal against the said decision. The Court has fixed hearing of the appeal on 9 February 2011. On 9 February 2011, the judge allowed the Bank's appeal with costs in the cause. The third party has since filed an appeal against the said decision at the Court of Appeal.

The Bank's solicitors are of the firm view that there is no such collateral contract and that the Bank has good defence to the claim brought by the third party.

41. FINANCIAL RISK MANAGEMENT POLICIES

The Group manages risk within clearly defined guidelines that are approved by the Directors. In addition, the Board of Directors of the Group provides independent oversight to ensure that risk management policies are complied with, through a framework of established controls and reporting processes.

The guidelines and policies adopted by the Group to manage the main risks that arise in the conduct of its business activities are as follows:

(a) Credit Risk

Credit risk is the potential loss of revenue and/or principal arising from defaults by borrowers or counterparties through business activities in lending, trading, investing and hedging. Exposure to credit risk may be categorised as primary or secondary.

Primary exposure to credit risk arises from loans, advances and financing. The amount of credit exposure is represented by the carrying amount of loans, advances and financing in the statements of financial position. The lending/financing activities in the Group are guided by the Group's Credit Policies and Guidelines, in line with Best Practices in the Management of Credit Risk, issued by Bank Negara Malaysia. These credit policies and guidelines also include an Internal Grading model adopted by the Group to grade its loan and financing accounts according to their respective risk profiles.

On the other hand, secondary credit exposure arise from financial transactions with counterparties (including interbank market activities, derivative instruments used for hedging and debt instruments), of which the amount of credit exposure in respect of these instruments is equal to the carrying amount of these assets in the statements of financial position. This exposure is monitored on an on-going basis against predetermined counterparty limits.

The credit exposure arising from off-balance sheet activities, i.e. commitments and contingencies is set out in Note 45 to the financial statements.

Credit risk arising from Treasury activities are managed by appropriate policies, counterparty limits and supported by the Group's Risk Management Framework.

(i) Maximum exposure to credit risk

The following table presents the Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account of any collateral held or other credit enhancements and after allowance for impairment where appropriate.

For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For contingent liabilities such as financial guarantees and letter of credit granted, the maximum exposure to credit risk is the maximum amount that would have to pay if the guarantees were to be called upon. For loan/financing commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (Contd.)

(i) Maximum exposure to credit risk (contd.)

	2011	
	BANK	GROUP
	RM'000	RM'000
Credit risk exposure of on-balance sheet:		
Cash and short-term funds (exclude cash in hand)	779,323	701,862
Deposits and placements with banks and other financial institutions	954,610	100,228
Financial assets held-for-trading	1,176,190	1,938,250
Financial investments available-for-sale (exclude equity securities)	6,247,376	9,138,478
Financial investments held-to-maturity	633,521	940,726
Derivative financial assets	32,047	32,047
Loans, advances and financing	17,951,098	22,110,986
Gross balances due from clients and brokers	-	96,318
Total on-balance sheet	27,774,165	35,058,895
Credit risk exposure of off-balance sheet:		
Contingent liabilities	991,794	1,082,131
Commitments	8,809,923	9,870,270
Total off-balance sheet	9,801,717	10,952,401
Total maximum exposure	37,575,882	46,011,296

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (Contd.)

(ii) Credit risk concentrations

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The analyses of credit risk concentration presented below relates only to financial assets subject to credit risk and are based on the industry in which the customer is engaged.

BANK **2011**	Government and Central Bank RM'000	Financial, Insurance and Business Services RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Mining and Construction RM'000	Residential Mortgage RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
Cash and short-term funds	475,797	303,526	-	-	-	-	-	-	779,323
Deposits and placements with banks and other financial institutions	-	954,610	-	-	-	-	-	-	954,610
Financial assets held-for-trading	1,176,190	-	-	-	-	-	-	-	1,176,190
Financial investments available-for-sale	2,872,338	3,060,617	94,805	198,478	21,138	-	-	-	6,247,376
Financial investments held-to-maturity	629,057	4,464	-	-	-	-	-	-	633,521
Derivative financial assets	-	30,657	-	-	-	-	-	1,390	32,047
Loans, advances and financing	-	1,735,053	118,112	5,606,218	338,973	7,565,729	210,351	2,376,662	17,951,098
Total on-balance sheet	5,153,382	6,088,927	212,917	5,804,696	360,111	7,565,729	210,351	2,378,052	27,774,165
Contingent liabilities	-	113,759	29,906	346,871	462,251	-	-	39,007	991,794
Commitments	-	576,803	60,580	2,054,387	802,173	947,023	5	4,368,952	8,809,923
Total credit risk	5,153,382	6,779,489	303,403	8,205,954	1,624,535	8,512,752	210,356	6,786,011	37,575,882

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (Contd.)

(ii) Credit risk concentrations (contd.)

GROUP **2011**	Government and Central Bank RM'000	Financial, Insurance and Business Services RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Mining and Construction RM'000	Residential Mortgage RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
Cash and short-term funds	524,670	177,192	-	-	-	-	-	-	701,862
Deposits and placements with banks and other financial institutions	-	100,228	-	-	-	-	-	-	100,228
Financial assets held-for-trading	1,938,250	-	-	-	-	-	-	-	1,938,250
Financial investments available-for-sale	4,059,908	4,584,626	162,118	300,215	31,611	-	-	-	9,138,478
Financial investments held-to-maturity	910,444	24,951	5,236	-	95	-	-	-	940,726
Derivative financial assets	-	30,657	-	-	-	-	-	1,390	32,047
Loans, advances and financing	-	2,029,108	156,460	6,559,284	421,713	8,498,859	557,262	3,888,300	22,110,986
Balances due from clients and brokers	-	-	-	-	-	-	-	96,318	96,318
Total on-balance sheet	7,433,272	6,946,762	323,814	6,859,499	453,419	8,498,859	557,262	3,986,008	35,058,895
Contingent liabilities	10,500	122,073	32,237	401,769	476,120	-	-	39,432	1,082,131
Commitments	-	710,672	66,330	2,382,347	852,678	948,916	327,265	4,582,062	9,870,270
Total credit risk	7,443,772	7,779,507	422,381	9,643,615	1,782,217	9,447,775	884,527	8,607,502	46,011,296

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (Contd.)

(iii) Collaterals

The main types of collateral obtained by the Group are as follows:
- For personal housing loans/financing, mortgages over residential properties;
- For commercial property loans/financing, charges over the properties being financed;
- For hire purchase, charges over the vehicles or plant and machineries financed; and
- For other loans/financing, charges over business assets such as premises, inventories, trade receivables or deposits.

(iv) Credit quality - Loans, advances and financing

All loans, advances and financing are categorised as either:
- neither past due nor impaired;
- past due but not impaired; or
- impaired.

Past due loans/financing, advances and financing refer to loans that are overdue by one day or more. Impaired loans/financing are loans/financing with month-in-arrears more than 90 days or with impaired allowances.

Distribution of loans, advances and financing by credit quality

	2011	
	BANK	GROUP
	RM'000	RM'000
Neither past due nor impaired	16,986,242	20,710,623
Past due but not impaired	645,539	987,414
Impaired	592,458	741,324
Gross loans, advances and financing	18,224,239	22,439,361
Sales commissions and handling fees	37,722	24,969
Less: Allowance for impairment		
Individual assessment	(273,141)	(328,375)
Collective assessment	(270,378)	(339,636)
Net loans, advances and financing	17,718,442	21,796,319

Credit quality of loans, advances and financing neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's internal credit grading system is as follows:

	2011	
	BANK	GROUP
	RM'000	RM'000
Grading classification		
- Good	15,735,368	19,168,648
- Fair	1,250,874	1,541,975
	16,986,242	20,710,623

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (Contd.)

(iv) Credit quality - Loans, advances and financing (contd.)

The definition of the grading classification can be summarised as follows:

Good: refers to loans, advances and financing which have never been past due in the last 6 months and have never undergone any restructuring or rescheduling exercise previously.

Fair: refers to loans, advances and financing which have been past due at some point within the last 6 months, or have undergone restructuring or rescheduling exercise previously.

Loans, advances and financing that are past due but not impaired

An aging analysis of loans, advances and financing that are past due but not impaired is set out below.

For the purpose of this analysis an asset is considered past due and included below when any payment due under strict contractual terms is received late or missed. The amount included is the entire financial assets, not just the payment of principal or interest or both overdue.

	2011	
	BANK	GROUP
	RM'000	RM'000
Past due up to 1 month	506,042	773,027
Past due 1 - 2 months	125,603	186,858
Past due 2 - 3 months	13,894	27,529
	645,539	987,414

The Group do not disclose the fair value of collateral held as security on past due but not impaired loans/financing as it is not practicable to do so.

Loans, advances and financing assessed as impaired

An analysis of loans/financing assessed as impaired is as follows:

	2011	
	BANK	GROUP
	RM'000	RM'000
Gross impaired loans/financing	592,458	741,324
Less: Allowance for impairment		
Individual assessment	(273,141)	(328,375)
Impaired loans/financing	319,317	412,949
Fair value of collateral	506,258	667,124

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (Contd.)

(v) Repossessed collateral

During the year, the Group obtained assets by taking possession of collateral held as security as follows:

	2011	
	BANK	GROUP
	RM'000	RM'000
Nature of assets		
Industrial factory	5,300	5,300
Residential property	-	105
	5,300	5,405

Repossessed or foreclosed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the consolidated statement of financial position within other assets.

(vi) Renegotiated financial assets

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indication or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans - in particular, customer finance loans.

	2011	
	BANK	GROUP
	RM'000	RM'000
Renegotiated loans, advances and financing		
- Continuing to be impaired after restructuring	31,625	36,406
- Non-impaired after restructuring would otherwise have been impaired	112,031	116,413
	143,656	152,819

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (Contd.)

(vii) Debt securities

Debt securities included financial assets held-for-trading, financial investments available-for-sale and financial investment held-to-maturity. Financial assets held-for-trading and financial investments available for sale are measured on a fair value basis. The fair value will reflect the credit risk of the issuer.

Most listed and some unlisted securities are rated by external rating agencies. The Bank and the Group uses external credit ratings provided by RAM and MARC. The table below presents an analysis of debt securities by rating agency:

BANK 2011	Financial assets held-for-trading RM'000	Financial investments available-for sale RM'000	Financial investments held-to-maturity RM'000	Total RM'000
By rating agencies				
RAM				
AAA	-	672,281	-	672,281
AA1	-	235,500	-	235,500
AA2	-	20,430	-	20,430
AA3	-	14,259	-	14,259
C3	-	4,599	-	4,599
MARC				
AAA	-	173,889	-	173,889
AA-	-	21,137	-	21,137
Government back	1,176,190	3,093,210	629,057	4,898,457
Unrated	-	2,012,071	4,464	2,016,535
	1,176,190	6,247,376	633,521	8,057,087

GROUP 2011	Financial assets held-for-trading RM'000	Financial investments available-for sale RM'000	Financial investments held-to-maturity RM'000	Total RM'000
By rating agencies				
RAM				
AAA	-	831,253	-	831,253
AA1	-	337,646	-	337,646
AA2	-	51,098	-	51,098
AA3	-	32,193	-	32,193
C3	-	7,003	-	7,003
MARC				
AAA	-	240,381	-	240,381
AA-	-	31,610	-	31,610
Government back	1,938,250	4,464,571	910,444	7,313,265
Unrated	-	3,142,723	30,282	3,173,005
	1,938,250	9,138,478	940,726	12,017,454

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk

Market risk refers to the potential loss arising from the movement in the market rates or prices; the main components being interest rate risk/rate of return and foreign exchange risk.

The Group has established a framework of approved risk policies, measurement methodologies and risk limits as approved by the Group Risk Management Committee for overall management of market risk. Market risk arising from the trading activities is controlled via position limits, sensitivity limits and regular revaluation of positions versus current market quotations.

The Group is also susceptible to exposure to market risk arising from changes in prices of the shares quoted on Bursa Malaysia, which will impact on the Group's balances due from clients and brokers. The risk is controlled by application of credit approvals, limits and monitoring procedures.

(i) Interest/profit rate risk

As a subset of market risk, interest rate/profit rate risk refers to the volatility in net interest/profit income as a result of changes in interest rate levels/rate of return and shifts in the composition of the assets and liabilities. Interest rate/rate of return risk is managed through interest rate sensitivity analysis. The potential reduction in net interest/profit income from an unfavourable interest/profit rate movement is monitored and reported to Management. In addition to pre-scheduled meetings, Group Assets and Liabilities Committee ("ALCO") members will also deliberate on revising the Bank's lending/financing and deposit rates in response to changes in the benchmark rates set by the central bank.

The effects of changes in the levels of interest rates/rates of return on the market value of securities are monitored closely and mark-to-market valuations are regularly reported to Management.

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest/profit rates on its financial position and cash flows. The effects of changes in the levels of interest rates/rates of return on the market value of securities are monitored regularly and the outcome of mark-to-market valuations are escalated to Management regularly. The table below summarises the effective interest/profit rates at the end of the reporting period and the periods in which the financial instruments will re-price or mature, whichever is the earlier.

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (Contd.)

(i) Interest/profit rate risk (contd.)

	Non-trading book									
BANK	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-interest sensitive	Trading book	Total	Effective interest rate
2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets										
Cash and short-term funds	540,200	-	-	-	-	-	417,911	-	958,111	2.83
Deposits and placements with banks and other financial institutions	733,000	100,000	100,000	-	-	-	21,610	-	954,610	3.03
Financial assets held-for-trading	-	-	-	-	-	-	-	1,176,190	1,176,190	2.83
Financial investments available-for-sale	1,045,769	1,056,437	306,911	90,639	1,829,011	1,873,038	128,189	-	6,329,994	3.52
Financial investments held-to-maturity	-	-	503,022	-	126,354	-	4,145	-	633,521	2.62
Loans, advances and financing	14,987,178	1,181,704	269,745	192,847	866,373	171,656	48,939*	-	17,718,442	5.68
Other non-interest sensitive balances	-	-	-	-	-	-	1,577,963	32,047	1,610,010	-
Total assets	17,306,147	2,338,141	1,179,678	283,486	2,821,738	2,044,694	2,198,757	1,208,237	29,380,878	
Liabilities										
Deposits from customers	10,026,566	2,605,938	2,068,051	3,889,586	286,377	-	4,542,350	-	23,418,868	2.08
Deposits and placements of banks and other financial institutions	532,458	1,196	8,443	22,447	819,735	-	6,052	-	1,390,331	1.90
Amount due to Cagamas Berhad	-	-	-	100,000	25,134	-	642	-	125,776	3.77
Bills and acceptances payable	86,155	24,942	43	-	-	-	-	-	111,140	3.04
Subordinated bonds	-	600,000	-	-	-	-	-	-	600,000	6.09
Other non-interest sensitive balances	-	-	-	-	-	-	698,739	33,347	732,086	-
Total liabilities	10,645,179	3,232,076	2,076,537	4,012,033	1,131,246	-	5,247,783	33,347	26,378,201	
Equity	-	-	-	-	-	-	3,002,677	-	3,002,677	-
Total liabilities and equity	10,645,179	3,232,076	2,076,537	4,012,033	1,131,246	-	8,250,460	33,347	29,380,878	

* Impaired loans, individual assessment allowance and collective assessment allowance of the Bank and the Group are classified under the non-interest sensitive column.

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (Contd.)

(i) Interest/profit rate risk (contd.)

	Non-trading book									
GROUP	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-interest/ profit sensitive	Trading book	Total	Effective interest/ profit rate
2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets										
Cash and short-term funds	409,701	-	-	-	-	-	502,029	-	911,730	2.91
Deposits and placements with banks and other financial institutions	-	100,000	160	-	-	-	68	-	100,228	3.05
Financial assets held-for-trading	-	-	-	-	-	-	-	1,938,250	1,938,250	2.82
Financial investments available-for-sale	1,246,175	2,147,162	593,503	140,837	2,761,012	2,187,048	184,203	-	9,259,940	3.50
Financial investments held-to-maturity	10,009	-	633,480	-	292,381	-	4,856	-	940,726	2.75
Loans, advances and financing	16,882,804	1,413,040	336,274	222,518	1,458,636	1,409,734	73,313 *	-	21,796,319	5.67
Balances due from clients and brokers	1,070	-	-	-	-	-	79,449	-	80,519	12.00
Other non-interest/profit sensitive balances	-	-	-	-	-	-	980,539	32,047	1,012,586	-
Total assets	18,549,759	3,660,202	1,563,417	363,355	4,512,029	3,596,782	1,824,457	1,970,297	36,040,298	
Liabilities										
Deposits from customers	13,938,005	3,177,373	2,484,735	4,530,563	291,335	-	4,575,081	-	28,997,092	2.13
Deposits and placements of banks and other financial institutions	968,458	61,196	8,952	23,447	882,911	-	7,236	-	1,952,200	2.13
Amount due to Cagamas Berhad	-	-	-	100,000	25,134	-	642	-	125,776	3.77
Bills and acceptances payable	86,161	24,948	50	-	-	-	-	-	111,159	3.04
Balances due to clients and brokers	34,516	-	-	-	-	-	52,227	-	86,743	2.55
Subordinated bonds	-	600,000	-	-	-	-	-	-	600,000	6.09
Other non-interest/profit sensitive balances	-	-	-	-	-	-	857,616	33,347	890,963	-
Total liabilities	15,027,140	3,863,517	2,493,737	4,654,010	1,199,380	-	5,492,802	33,347	32,763,933	
Equity	-	-	-	-	-	-	3,271,877	-	3,271,877	-
Minority interests	-	-	-	-	-	-	4,488	-	4,488	-
Total liabilities and equity	15,027,140	3,863,517	2,493,737	4,654,010	1,199,380	-	8,769,167	33,347	36,040,298	

* Impaired loans, individual assessment allowance and collective assessment allowance of the Bank and the Group are classified under the non-interest/profit sensitive column.

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (Contd.)

(i) Interest/profit rate risk (contd.)

	Non-trading book									
BANK	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-interest sensitive	Trading book	Total	Effective interest rate
2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets										
Cash and short-term funds	2,700,419	-	-	-	-	-	482,036	-	3,182,455	2.19
Deposits and placements with banks and other financial institutions	733,000	250,000	-	-	-	-	-	-	983,000	2.58
Financial investments available-for-sale	96,539	1,193,385	80,122	75,829	1,769,728	39,982	11,394	-	3,266,979	3.12
Financial investments held-to-maturity	-	2,700	-	-	635,697	-	16,853	-	655,250	2.77
Loans, advances and financing	14,332,692	1,040,202	443,956	190,094	971,365	217,184	22,576*	-	17,218,069	5.08
Other non interest sensitive balances	-	-	-	-	-	-	1,587,544	44,698	1,632,242	-
Total assets	17,862,650	2,486,287	524,078	265,923	3,376,790	257,166	2,120,403	44,698	26,937,995	
Liabilities										
Deposits from customers	8,623,616	1,448,405	1,750,396	3,362,709	723,911	-	4,541,874	-	20,450,911	1.54
Deposits and placements of banks and other financial institutions	550,213	393,017	135,775	1,700	712,836	-	2,502	-	1,796,043	1.89
Amount due to Cagamas Berhad	-	-	-	-	28,077	-	-	-	28,077	4.54
Bills and acceptances payable	234,054	285,476	11,839	-	-	-	-	-	531,369	2.45
Subordinated bonds	-	-	-	-	600,000	-	-	-	600,000	6.09
Other non interest sensitive balances	-	-	-	-	-	-	753,946	50,175	804,121	-
Total liabilities	9,407,883	2,126,898	1,898,010	3,364,409	2,064,824	-	5,298,322	50,175	24,210,521	
Equity	-	-	-	-	-	-	2,727,474	-	2,727,474	
Total liabilities and equity	9,407,883	2,126,898	1,898,010	3,364,409	2,064,824	-	8,025,796	50,175	26,937,995	

* Non-performing loans, advances and financing, specific allowance and general allowance of the Bank and the Group are classified as non-interest sensitive column.

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (Contd.)

(i) Interest/profit rate risk (contd.)

	Non-trading book									
GROUP	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-interest/ profit sensitive	Trading book	Total	Effective interest/ profit rate
2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets										
Cash and short-term funds	3,006,169	-	-	-	-	-	557,380	-	3,563,549	2.21
Deposits and placements with banks and other financial institutions	-	150,000	156	-	-	-	-	-	150,156	2.38
Financial investments available-for-sale	96,539	1,303,340	230,086	176,628	3,292,957	39,982	15,296	-	5,154,828	3.22
Financial investments held-to-maturity	-	2,700	-	57,319	847,349	5,199	18,853	-	931,420	2.81
Loans, advances and financing	15,475,122	1,264,499	551,325	359,248	1,644,367	1,366,142	44,788*	-	20,705,491	5.40
Balances due from clients and brokers	441	-	-	-	-	-	72,127	-	72,568	12.00
Other non-interest/profit sensitive balances	-	-	-	-	-	-	1,010,353	44,698	1,055,051	-
Total assets	18,578,271	2,720,539	781,567	593,195	5,784,673	1,411,323	1,718,797	44,698	31,633,063	
Liabilities										
Deposits from customers	11,666,159	1,779,650	1,889,989	3,680,782	735,986	-	4,517,812	-	24,270,378	1.56
Deposits and placements of banks and other financial institutions	875,212	531,017	135,775	1,700	743,460	-	2,502	-	2,289,666	1.96
Amount due to Cagamas Berhad	-	-	-	-	28,077	-	-	-	28,077	4.54
Bills and acceptances payable	241,035	285,476	11,839	-	-	-	-	-	538,350	2.45
Balances due to clients and brokers	36,489	-	-	-	-	-	43,760	-	80,249	1.50
Subordinated bonds	-	-	-	-	600,000	-	-	-	600,000	6.09
Other non-interest/profit sensitive balances	-	-	-	-	-	-	899,578	50,175	949,753	-
Total liabilities	12,818,895	2,596,143	2,037,603	3,682,482	2,107,523	-	5,463,652	50,175	28,756,473	
Equity	-	-	-	-	-	-	2,872,051	-	2,872,051	-
Minority interests	-	-	-	-	-	-	4,539	-	4,539	-
Total liabilities and equity	12,818,895	2,596,143	2,037,603	3,682,482	2,107,523	-	8,340,242	50,175	31,633,063	

* Non-performing loans, advances and financing, specific allowance and general allowance of the Bank and the Group are classified as non-interest/profit sensitive column.

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (Contd.)

(ii) Foreign currency exchange risk

Foreign currency exchange risk refers to the potential adverse movements in the exchange rates for foreign exchange positions taken by the Group from time to time. For the Group, foreign exchange risk is concentrated in its commercial banking. Foreign currency exchange risk is managed via approved risk limits and open positions are regularly revalued against current exchange rates and reported to Management.

The following table summarises the assets, liabilities and net open position by currency as at the end of the financial reporting date, which are mainly in Ringgit Malaysia and US Dollar. Other foreign exchange exposures include exposure to Euro, Australian Dollars, Japanese Yen and New Zealand Dollars.

BANK/GROUP	US Dollars RM'000	Singapore Dollars RM'000	Others RM'000	Total RM'000
2011				
Assets				
Cash and short-term funds	12,389	2,339	58,245	72,973
Loans, advances and financing	163,961	-	5,008	168,969
Other financial assets	7,384	-	42	7,426
Total financial assets	183,734	2,339	63,295	249,368
Liabilities				
Deposits from customers	163,167	1,680	66,669	231,516
Deposits and placements of banks and other financial institutions	30,258	-	159	30,417
Other financial liabilities	578	12	125	715
Total financial liabilities	194,003	1,692	66,953	262,648
On-balance sheet open position	(10,269)	647	(3,658)	(13,280)
Off-balance sheet open position	8,285	5,882	9,977	24,144
Net open position	(1,984)	6,529	6,319	10,864

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (Contd.)

(iii) Value at risk ('VaR')

Value-at-risk (VaR) reflects the maximum potential loss of value of a portfolio resulting from market movements within a specified probability of occurrence (level of confidence); for a specific period of time (holding period). For the Group, VaR is computed based on the historical simulation approach with parameters in accordance with BNM and Basel requirements. Backtesting is performed daily to validate and reassess the accuracy of the VaR model. This involves the comparison of the daily VaR values against the actual profit and loss over the corresponding period.

The table below sets out a summary of the Bank and the Group's VaR profile by financial instrument types for the Trading Portfolio:

BANK 2011	Balance RM'000	Average for the year RM'000	Minimum RM'000	Maximum RM'000
Instruments:				
FX swap	(770)	(525)	(272)	(989)
Government securities	(8,522)	(5,184)	(2,206)	(8,529)
Private debt securities	(3,615)	(2,738)	(1,124)	(5,441)

GROUP 2011	Balance RM'000	Average for the year RM'000	Minimum RM'000	Maximum RM'000
FX swap	(770)	(525)	(272)	(989)
Government securities	(11,487)	(7,650)	(4,256)	(12,201)
Private debt securities	(5,144)	(3,641)	(1,870)	(6,456)

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(iv) **Interest rate risk/rate of return risk in the banking book**

The following tables present the Bank and the Group's projected sensitivity to a 100 basis point parallel shock to interest rates across all maturities applied on the Bank and the Group's interest sensitivity gap as at reporting date.

	2011 BANK		2011 GROUP	
	- 100 bps	+ 100 bps	- 100 bps	+ 100 bps
	Increase/(Decrease)		Increase/(Decrease)	
	RM'000	RM'000	RM'000	RM'000
Impact on net interest income				
Ringgit Malaysia	(58,054)	58,054	(44,616)	44,616
As percentage of net interest income	(9.1%)	9.1%	(4.9%)	4.9%

Note:
The foreign currency impact on net interest income is considered insignificant as the exposure is less than 5% of Banking Book assets/liabilities.

Other risk measures

(v) Stress test

Stress testing is normally used by banks to gauge their potential vulnerability to exceptional but plausible events. The Group performs stress testing regularly to measure and alert management on the effects of potential political, economic or other disruptive events on our exposures. The Group's stress testing process is governed by the Stress Testing Framework as approved by the Board. Stress testing are conducted on a bank-wide basis as well as on specific portfolios. The Group's bank-wide stress testing exercise uses a variety of broad macroeconomic indicators that are then translated into stress impacts on the various business units. The results are then consolidated to provide an overall impact on the Group's financial results and capital requirements. Stress testing results are reported to Management to provide them with an assessment of the financial impact of such events would have on the Group's profitability and capital levels.

(vi) Sensitivity analysis

Sensitivity analysis is used to measure the impact of changes in individual stress factors such as interest/profit rates or foreign exchange rates. It is normally designed to isolate and quantify exposure to the underlying risk. The Group performs sensitivity analysis such as parallel shifts of interest/profit rates (in increment of 25 basis points) on its exposures, primarily on the banking and trading book positions.

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Other risk measures (contd.)

(vii) Displaced Commercial Risk

Displaced commercial risk arises from the Group's Islamic financial services offered under the Alliance Islamic Bank Berhad. It refers to the risk of losses which the Islamic Bank absorbs to make sure that Investment Account Holders are paid in rate of return equivalent to a competitive market rate of return. This risk arises when the actual rate of return is lower than returns expected by Investment Account Holders.

The profit equalisation reserve ("PER") is used as a mechanism by the Islamic Bank to maintain an acceptable level of return for the investment account holders. This mitigates the level of displaced commercial risk whereby the desired return to Investment Account Holders can be provided as stipulated by BNM's circular on Framework of Rate of Return.

(c) Liquidity Risk

Liquidity risk relates to the Group’s ability to maintain adequate liquid assets so as to punctually meet its financial obligations and commitments when due. Market liquidity risk refers to the potential risk that the Bank is unable to liquidate its assets/securities at or near the previous market price due to inadequate market depth or disruptions to the market place.

The Bank's liquidity risk profile is managed using Bank Negara Malaysia's New Liquidity Framework, other internal policies and ALCO benchmarks. A contingency funding plan is also established by the Group as a forward-looking measure to ensure that liquidity risk can be addressed according to the degrees of key risk indicators, and which incorporates alternative funding strategies which are ready to be implemented on a timely basis to mitigate the impact of unforeseen adverse changes in liquidity in the market place.

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities:

BANK **2011**	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	958,111	-	-	-	-	958,111
Deposits and placements with banks and other financial institutions	21,456	100,065	100,089	-	733,000	954,610
Financial investments	1,446,532	1,794,212	395,558	803,688	3,699,715	8,139,705
Loans, advances and financing	4,328,948	1,158,824	758,896	363,815	11,107,959	17,718,442
Other asset balances	40,544	7,741	9,201	2,699	1,549,825	1,610,010
Total assets	6,795,591	3,060,842	1,263,744	1,170,202	17,090,499	29,380,878
Liabilities						
Deposits from customers	14,513,668	2,631,387	2,085,494	3,901,925	286,394	23,418,868
Deposits and placements of banks and other financial institutions	534,798	1,020	12,331	22,447	819,735	1,390,331
Amount due to Cagamas Berhad	514	294	766	101,562	22,640	125,776
Bills and acceptances payable	86,155	24,942	43	-	-	111,140
Subordinated bonds	-	600,000	-	-	-	600,000
Other liability balances	451,294	38,840	24,098	48,196	169,658	732,086
Total liabilities	15,586,429	3,296,483	2,122,732	4,074,130	1,298,427	26,378,201
Equity	-	-	-	-	3,002,677	3,002,677
Total liabilities and equity	15,586,429	3,296,483	2,122,732	4,074,130	4,301,104	29,380,878
Net maturity mismatch	(8,790,838)	(235,641)	(858,988)	(2,903,928)	12,789,395	-

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (contd.)

GROUP **2011**	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	911,730	-	-	-	-	911,730
Deposits and placements with banks and other financial institutions	-	100,065	163	-	-	100,228
Financial investments	2,122,429	3,187,345	809,576	932,379	5,087,187	12,138,916
Loans, advances and financing	4,790,087	1,471,389	945,286	557,078	14,032,479	21,796,319
Balances due from clients and brokers	61,441	-	-	-	19,078	80,519
Other asset balances	26,142	7,741	9,201	2,699	966,803	1,012,586
Total assets	7,911,829	4,766,540	1,764,226	1,492,156	20,105,547	36,040,298
Liabilities						
Deposits from customers	18,441,268	3,206,337	2,511,423	4,546,712	291,352	28,997,092
Deposits and placements of banks and other financial institutions	971,566	61,203	13,074	23,447	882,910	1,952,200
Amount due to Cagamas Berhad	514	294	766	101,562	22,640	125,776
Bills and acceptances payable	86,161	24,948	50	-	-	111,159
Subordinated bonds	-	600,000	-	-	-	600,000
Balances due to clients and brokers	85,200	-	-	-	1,543	86,743
Other liability balances	539,470	39,671	24,365	48,729	238,728	890,963
Total liabilities	20,124,179	3,932,453	2,549,678	4,720,450	1,437,173	32,763,933
Equity	-	-	-	-	3,271,877	3,271,877
Minority interest	-	-	-	-	4,488	4,488
Total liabilities and equity	20,124,179	3,932,453	2,549,678	4,720,450	4,713,538	36,040,298
Net maturity mismatch	(12,212,350)	834,087	(785,452)	(3,228,294)	15,392,009	-

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(ii) Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Bank and the Group under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values), which the Bank and the Group manages the inherent liquidity risk based on discounted expected cash inflows.

BANK **2011**	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities							
Deposits from customers	14,553,709	2,724,846	2,117,725	3,971,660	297,583	-	23,665,523
Deposits and placements of banks and other financial institutions	535,108	1,229	8,758	28,452	846,158	-	1,419,705
Amount due to Cagamas Berhad	665	379	1,045	105,643	23,716	-	131,448
Bills and acceptances payable	86,155	24,942	43	-	-	-	111,140
Subordinated bonds	-	618,270	-	-	-	-	618,270
Other financial liabilities	451,294	38,840	24,098	48,196	169,658	-	732,086
Total financial liabilities	15,626,931	3,408,506	2,151,669	4,153,951	1,337,115	-	26,678,172
Derivatives liabilities							
Derivatives settled on a net basis							
Interest rate derivatives	-	(292)	(91)	82	1,802	1,381	2,882
Derivatives settled on a gross basis							
Outflow	(87,071)	(380,016)	(308,146)	(441,839)	-	-	(1,217,072)
Inflow	86,428	367,712	299,925	434,659	-	-	1,188,724
	(643)	(12,304)	(8,221)	(7,180)	-	-	(28,348)

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(ii) Contractual maturity of financial liabilities on an undiscounted basis (contd.)

GROUP **2011**	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities							
Deposits from customers	18,541,604	3,305,970	2,551,908	4,631,065	302,719	-	29,333,266
Deposits and placements of banks and other financial institutions	972,010	61,576	9,267	29,934	911,890	-	1,984,677
Amount due to Cagamas Berhad	665	379	1,045	105,643	23,716	-	131,448
Bills and acceptances payable	86,161	24,948	50	-	-	-	111,159
Subordinated bonds	-	618,270	-	-	-	-	618,270
Balances due to clients and brokers	85,200	-	-	-	1,543	-	86,743
Other financial liabilities	539,470	39,671	24,365	48,729	238,728	-	890,963
Total financial liabilities	20,225,110	4,050,814	2,586,635	4,815,371	1,478,596	-	33,156,526
Derivatives liabilities							
Derivatives settled on a net basis							
Interest rate derivatives	-	(292)	(91)	82	1,802	1,381	2,882
Derivatives settled on a gross basis							
Outflow	(87,071)	(380,016)	(308,146)	(441,839)	-	-	(1,217,072)
Inflow	86,428	367,712	299,925	434,659	-	-	1,188,724
	(643)	(12,304)	(8,221)	(7,180)	-	-	(28,348)

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(d) Operational and Shariah Compliance Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The Shariah Compliance Risk arises from the Bank's failure to comply with the Shariah rules and principles determined by the relevant Shariah regulatory councils.

Operational and Shariah Compliance risk management is a continual cyclic process which includes risk identification, assessment, control, mitigation and monitoring. This includes analysing the risk profile of the Group, determines any causes of failure, assesses potential loss and enhances controls to reduce/avoid risks.

Every line of business and support departments are responsible for the management of their day-to-day operational and Shariah Compliance risks while support, monitoring and reporting is facilitated by Operational Risk Management Department, Group Internal Audit and Shariah Review Team play the role of providing independent compliance assurance to Management and the Board.

The main activities undertaken by the Group in managing operational and Shariah Compliance risks includes the pre-identification of risks control and self assessments; key risk indicators, reviews of documentation of the Bank's processes and procedures; conducting operational and Shariah Compliance risk awareness internal training and managing potential crisis events via the mitigation resource of business continuity management.

The Group has implemented regulatory and Basel II requirements for capital charge for operational risk under the Basic Indicator Approach. Ongoing monitoring and periodic policy/process changes are carried out to reduce the Group's exposure to unexpected losses, improve control and management of operational risk, to cultivate an organizational culture that places a high priority on effective operational risk management and adherence to sound operating controls and best practices.

42. CAPITAL COMMITMENTS

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Capital expenditure:				
Authorised and contracted for	23,060	22,266	23,338	22,942
Authorised but not contracted for	6,020	21,376	6,020	21,376
	29,080	43,642	29,358	44,318

43. LEASE COMMITMENTS

The Bank and the Group have lease commitments in respect of equipment on hire and premises, all of which are classified as operating leases. A summary of the non-cancellable long term commitments is as follows:

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Within one year	19,898	29,082	20,977	29,780
Between one and five years	12,084	20,830	13,373	21,035
	31,982	49,912	34,350	50,815

The operating leases for the Bank and the Group's other premises typically cover for a initial period of three years with options for renewal. These leases are cancellable but are usually renewed upon expiry or replaced by leases on other properties. Future minimum lease commitments are anticipated to be not less than the rental expense for 2011.

44. HOLDING AND RELATED COMPANIES

The Directors regard Alliance Financial Group Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company of the Bank.

Related companies in these financial statements refer to member companies in the Alliance Financial Group Berhad Group.

45. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank and the Group makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The off-balance sheet exposures and their related counterparty credit risk of the Bank and the Group are as follows:

BANK 2011	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Credit-related exposures				
Contingent Liabilities				
Direct credit substitutes	388,733		388,733	388,733
Transaction-related contingent items	484,479		242,239	242,239
Short-term self-liquidating trade-related contingencies	118,582		23,716	23,716
Commitments				
Irrevocable commitments to extent credit:				
- maturity exceeding one year	1,356,908		678,454	582,106
- maturity not exceeding one year	7,453,015		1,490,603	1,265,716
	9,801,717		2,823,745	2,502,510
Derivative financial instruments				
Foreign exchange related contracts:				
- less than one year	2,844,627	22,568	77,079	40,842
Interest rate related contracts:				
- one year or less	380,000	257	637	127
- over one year to three years	1,447,000	6,465	29,535	5,907
- over three years	285,000	2,757	15,957	3,192
	4,956,627	32,047	123,208	50,068
	14,758,344	32,047	2,946,953	2,552,578

GROUP 2011				
Credit-related exposures				
Contingent Liabilities				
Direct credit substitutes	423,539		423,539	423,539
Transaction-related contingent items	515,311		257,655	257,655
Short-term self-liquidating trade-related contingencies	143,281		28,656	28,656
Commitments				
Irrevocable commitments to extent credit:				
- maturity exceeding one year	1,715,131		857,565	727,272
- maturity not exceeding one year	8,155,139		1,631,028	1,380,827
	10,952,401		3,198,443	2,817,949
Derivative financial instruments				
Foreign exchange related contracts:				
- less than one year	2,844,627	22,568	77,079	40,842
Interest rate related contracts:				
- one year or less	380,000	257	637	127
- over one year to three years	1,447,000	6,465	29,535	5,907
- over three years	285,000	2,757	15,957	3,192
	4,956,627	32,047	123,208	50,068
	15,909,028	32,047	3,321,651	2,868,017

45. COMMITMENTS AND CONTINGENCIES (CONTD.)

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
BANK				
2010				
Credit-related exposures				
Contingent Liabilities				
Direct credit substitutes	464,702		464,702	464,702
Transaction-related contingent items	428,083		214,041	214,041
Short-term self-liquidating trade-related contingencies	138,234		27,647	27,647
Commitments				
Irrevocable commitments to extent credit:				
- maturity exceeding one year	1,198,725		599,363	495,403
- maturity not exceeding one year	7,668,026		1,533,605	1,298,420
	9,897,770		2,839,358	2,500,213
Derivative financial instruments				
Foreign exchange related contracts:				
- less than one year	2,452,403	38,588	64,501	28,951
Interest rate related contracts:				
- one year or less	560,000	491	2,745	549
- over one year to three years	270,000	1,370	5,423	1,085
- over three years	220,000	4,249	13,450	2,690
	3,502,403	44,698	86,119	33,275
	13,400,173	44,698	2,925,477	2,533,488

GROUP				
2010				
Credit-related exposures				
Contingent Liabilities				
Direct credit substitutes	501,940		501,940	501,940
Transaction-related contingent items	456,421		228,211	228,211
Short-term self-liquidating trade-related contingencies	167,968		33,594	33,594
Commitments				
Irrevocable commitments to extent credit:				
- maturity exceeding one year	1,526,427		763,214	626,319
- maturity not exceeding one year	8,137,938		1,627,586	1,376,875
	10,790,694		3,154,545	2,766,939
Derivative financial instruments				
Foreign exchange related contracts:				
- less than one year	2,452,403	38,588	64,501	28,951
Interest rate related contracts:				
- one year or less	560,000	491	2,745	549
- over one year to three years	270,000	1,370	5,423	1,085
- over three years	220,000	4,249	13,450	2,690
	3,502,403	44,698	86,119	33,275
	14,293,097	44,698	3,240,664	2,800,214

46. CAPITAL ADEQUACY

The capital adequacy ratios of the Bank and the Group are computed in accordance with BNM's revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II). The Bank and the Group have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement is 8.0% (2010: 8.0%) for the risk-weighted capital ratio.

(a) The capital adequacy ratios of the Bank and the Group are as follows:

	BANK		GROUP	
	2011	2010	2011	2010
Before deducting proposed dividends				
Core capital ratio	14.63%	13.57%	12.40%	11.39%
Risk-weighted capital ratio	14.98%	13.91%	16.54%	15.65%
After deducting proposed dividends				
Core capital ratio	14.09%	13.28%	11.95%	11.13%
Risk-weighted capital ratio	14.44%	13.61%	16.09%	15.40%

Components of Tier I and Tier II capital are as follows:

	BANK		GROUP	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Tier I Capital (Core Capital)				
Paid-up share capital	596,517	596,517	596,517	596,517
ICPS	4,000	4,000	4,000	4,000
Share premium	597,517	597,517	597,517	597,517
Retained profits	1,148,228	911,593	1,194,222	882,471
Statutory reserves	601,561	601,561	786,406	735,515
Other reserves	-	-	10,018	10,018
Minority interests	-	-	4,488	4,539
	2,947,823	2,711,188	3,193,168	2,830,577
Less: Purchased goodwill/ goodwill on consolidation	(186,272)	(186,272)	(302,065)	(302,065)
Deferred tax assets	(75,272)	(65,900)	(108,808)	(99,347)
Total Tier I Capital	2,686,279	2,459,016	2,782,295	2,429,165
Tier II Capital				
Subordinated bonds	600,000	600,000	600,000	600,000
Collective assessment allowance	265,588	-	333,466	-
General allowance	-	261,699	-	322,933
Total Tier II Capital	865,588	861,699	933,466	922,933
Total Capital	3,551,867	3,320,715	3,715,761	3,352,098
Less: Investment in subsidiaries	(801,664)	(801,664)	(3,620)	(12,760)
Total Capital Base	2,750,203	2,519,051	3,712,141	3,339,338

46. CAPITAL ADEQUACY (CONTD.)

(b) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows:

	BANK		GROUP	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Credit risk	16,437,247	16,184,071	20,149,305	19,189,717
Market risk	54,919	19,663	71,884	19,663
Operational risk	1,863,398	1,912,210	2,222,953	2,126,663
Total RWA and capital requirements	18,355,564	18,115,944	22,444,142	21,336,043

Detailed information on the risk exposures above, as prescribed under BNM's Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) is presented in the Bank's Pillar 3 Report.

(c) The capital adequacy ratios of the banking subsidiaries are as follows:

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
31 March 2011		
Before deducting proposed dividends		
Core capital ratio	11.65%	57.17%
Risk-Weighted capital ratio	13.37%	57.33%
After deducting proposed dividends		
Core capital ratio	11.65%	55.51%
Risk-Weighted capital ratio	13.37%	55.67%
31 March 2010		
Core capital ratio	11.41%	55.58%
Risk-Weighted capital ratio	13.21%	55.88%

Note:

(i) The capital adequacy ratios of Alliance Islamic Bank Berhad are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (CAFIB). The Bank has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement is 8.0% (2010: 8.0%) for the risk-weighted capital ratio.

(ii) The capital adequacy ratios of AIBB are computed in accordance with BNM's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). The Bank and the Group have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement is 8.0% (2010: 8.0%) for the risk-weighted capital ratio.

47. CAPITAL

In managing its capital, the Group's objectives are:

- to maintain sufficient capital resources to meet the regulatory capital requirements as set forth by Bank Negara Malaysia,

- to maintain sufficient capital resources to support the Group's risk appetite and to enable future business growth, and

- to meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

In line with this, the Group aims to maintain capital adequacy ratios that are comfortably above the regulatory requirement, while balancing shareholders' desire for sustainable returns and high standards of prudence.

The Group carries out stress testing to estimate the potential impact of extreme, but plausible, events on the Group's earnings, balance sheet and capital. The results of the stress test are to facilitate the formation of action plan(s) in advance if the stress test reveals that the Group's capital will be adversely affected. The results of the stress test are tabled to the Group Risk Management Committee for deliberation.

The Group's and the Bank's regulatory capital are determined under Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework and their capital ratios comply with the prescribed capital adequacy ratios.

48. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and the fair value of the financial assets and liabilities of the Bank and of the Group are as follows:

	2011		2010	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
BANK				
Financial assets				
Cash and short-term funds	958,111	958,111	3,182,455	3,182,455
Deposits and placements with banks and other financial institutions	954,610	954,610	983,000	983,000
Financial assets held-for-trading	1,176,190	1,176,190	-	-
Financial investments available-for-sale	6,329,994	6,329,994	3,266,979	3,266,979
Financial investments held-to-maturity	633,521	643,271	655,250	678,128
Derivative financial assets	32,047	32,047	44,698	44,698
Loans, advances and financing	17,718,442	17,986,174	17,218,069	17,488,003
Financial liabilities				
Deposits from customers	23,418,868	23,418,902	20,450,911	20,449,611
Deposits and placements of banks and other financial institutions	1,390,331	1,353,765	1,796,043	1,765,448
Derivative financial liabilities	33,347	33,347	50,175	50,175
Amount due to Cagamas Berhad	125,776	125,822	28,077	24,478
Bills and acceptances payable	111,140	111,140	531,369	531,369
Subordinated bonds	600,000	615,025	600,000	611,400

	2011		2010	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
GROUP				
Financial assets				
Cash and short term funds	911,730	911,730	3,563,549	3,563,549
Deposits and placements with banks and other financial institutions	100,228	100,228	150,156	150,156
Financial assets held-for-trading	1,938,250	1,938,250	-	-
Financial investments available-for-sale	9,259,940	9,259,940	5,154,828	5,154,828
Financial investments held-to-maturity	940,726	955,844	931,420	961,176
Derivative financial assets	32,047	32,047	44,698	44,698
Loans, advances and financing	21,796,319	22,137,588	20,705,491	21,050,452
Balances due from clients and brokers	80,519	80,519	72,568	72,568

48. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

	2011		2010	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
GROUP				
Financial liabilities				
Deposits from customers	28,997,092	28,996,460	24,270,378	24,269,082
Deposits and placements of banks and other financial institutions	1,952,200	1,912,490	2,289,666	2,257,623
Derivative financial liabilities	33,347	33,347	50,175	50,175
Amount due to Cagamas Berhad	125,776	125,822	28,077	24,478
Bills and acceptances payable	111,159	111,159	538,350	538,350
Balances due to clients and brokers	86,743	86,743	80,249	80,249
Subordinated bonds	600,000	615,025	600,000	611,400

Note: The fair value of the other assets and other liabilities, which are considered short term in nature, are estimated to be approximately their carrying values.

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

(i) Cash and short-term funds

The carrying amounts approximate fair values due to the relatively short maturity of the financial instruments.

(ii) Deposits and placements with banks and other financial institutions

The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments. For those financial instruments with maturity of more than one year, the fair values are estimated based on discounted cash flows using applicable prevailing market rates for placements of similar credit risk and similar remaining maturity as at the end of the reporting period.

(iii) Financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity

The fair values are estimated based on quoted or observable market prices at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using prevailing market rates for a similar instrument at the end of the reporting period.

(iv) Derivative financial instruments

The fair values of derivative financial instruments are obtained from quoted market rates in active market, including recent market transactions and valuation techniques, such as discounted cash flow models, as appropriate.

48. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)

(v) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing with remaining maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at applicable prevailing rates at end of the reporting period offered to new borrowers with similar credit profiles. In respect of impaired loans, the fair values are deemed to approximate the carrying values, net of individual allowance for losses on loans, advances and financing.

(vi) Deposits from customers

The fair values of deposit liabilities payable on demand (demand and savings deposits), or deposits with maturity of less than one year are estimated to approximate their carrying amounts. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on expected future cash flows discounted at applicable prevailing rates offered for deposits of similar remaining maturities. For negotiable instruments of deposits, the fair values are estimated based on quoted or observable market prices as at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values of negotiable instruments of deposits are estimated using the discounted cash flow technique.

(vii) Deposits and placements of banks and other financial institutions and bills and acceptances payable

The carrying values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments.

(viii) Amount due to Cagamas Berhad

The fair values of amount due to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at the end of the reporting period.

(ix) Subordinated bonds

The fair value of the subordinated bonds is estimated based on the discounted cash flows techniques using the current yield curve appropriate for the remaining term to maturity.

(x) Balances due from/(to) clients and brokers

The carrying amounts are reasonable estimates of the fair values because of their short tenor.

49. SEGMENT INFORMATION

The following segment information has been prepared in accordance with FRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. The operating segments results are prepared based on the Group's internal management reporting reflective of the organisation's management reporting structure.

The Group is organised into the following key operating segments:

(i) Consumer banking

Consumer Banking provides a wide range of personal banking solutions covering mortgages, term loans, personal loans, hire purchase facilities, credit cards, wealth management (cash management, investment services, share trading, bancassurance and will writing). Consumer banking customers are serviced via branch network, call centre, electronic/internet banking channels, and direct sales channels.

(ii) Business banking

Business Banking segment covers Small and Medium Enterprise ("SME"), Commercial and Corporate Banking. SME Banking customers comprise self-employed, small and medium scale enterprises. Commercial and Corporate Banking serve larger business customers, with Commercial Banking targeting family-owned businesses while Corporate Banking focus more on public-listed and large corporate. Business Banking provides a wide range of services and products covering loans, trade finance, cash management, treasury and structured solutions.

(iii) Financial Markets

Financial Markets provide foreign exchange, money market, hedging, wealth management and investment (capital market instruments) solutions for banking customers. It also manages the assets and liabilities, liquidity and statutory reserve requirements of the banking entities in the Group.

(iv) Investment banking

Investment Banking covers stockbroking activities and corporate advisory which include initial public offering, equity and debt fund raising, loan syndication, mergers and acquisition, as well as corporate restructuring.

(v) Others

Others refer to mainly other business operations such as alternative distribution channels, unit trust, asset management, trustee services and head office.

49. Segment information (contd.)

Group **As at 31 March 2011**	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Investment Banking RM'000	Others RM'000	Total Operations RM'000	Inter-segment Elimination RM'000	Total RM'000
Net interest income								
- External income	222,475	245,160	198,381	4,574	475	671,065	2,332	673,397
- inter-segment	41,922	47,967	(87,173)	(2,716)	-	-	-	-
	264,397	293,127	111,208	1,858	475	671,065	2,332	673,397
Net income from Islamic banking business	116,889	55,832	35,027	-	-	207,748	24,984	232,732
Other operating income	73,499	102,130	39,638	29,615	22,935	267,817	(42,116)	225,701
Net income	454,785	451,089	185,873	31,473	23,410	1,146,630	(14,800)	1,131,830
Other operating expenses	(236,522)	(166,875)	(33,987)	(32,608)	(20,173)	(490,165)	2,419	(487,746)
Depreciation and amortisation	(27,180)	(15,164)	(7,445)	(3,960)	(187)	(53,936)	-	(53,936)
Operating profit	191,083	269,050	144,441	(5,095)	3,050	602,529	(12,381)	590,148
(Allowance for)/write-back of impairment on loans, advances and financing and other losses	(37,035)	2,972	412	644	(1)	(33,008)	-	(33,008)
Write-back of impairment	-	1,139	2,937	-	-	4,076	-	4,076
Segment result	154,048	273,161	147,790	(4,451)	3,049	573,597	(12,381)	561,216
Share of results in an associate								(1,467)
Taxation and zakat								(144,381)
Net profit after taxation and zakat								415,368
Segment assets	12,730,209	9,134,341	15,449,464	248,641	41,801	37,604,456	(2,166,681)	35,437,775
Reconciliation of segment assets to consolidated assets:								
Investments in associates								29,038
Property, plant and equipment								104,553
Unallocated assets								111,250
Intangible assets								357,682
Total assets								36,040,298
Segment Liabilities	15,677,949	9,272,735	8,953,812	116,286	19,288	34,040,070	(1,323,436)	32,716,634
Unallocated liabilities								47,299
Total liabilities								32,763,933

49. Segment information (contd.)

Group **As at 31 March 2010**	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Investment Banking RM'000	Others RM'000	Total Operations RM'000	Inter-segment Elimination RM'000	Total RM'000
Net interest income								
- External income	184,324	218,300	176,233	5,494	291	584,642	3,446	588,088
- inter-segment	50,089	28,573	(76,532)	(2,130)	-	-	-	-
	234,413	246,873	99,701	3,364	291	584,642	3,446	588,088
Net income from Islamic banking business	149,901	58,972	17,607	-	-	226,480	19,341	245,821
Other operating income	77,664	99,864	49,433	31,739	25,525	284,225	(50,912)	233,313
Net income	461,978	405,709	166,741	35,103	25,816	1,095,347	(28,125)	1,067,222
Other operating expenses	(225,803)	(165,686)	(64,895)	(21,346)	(19,656)	(497,386)	1,819	(495,567)
Depreciation and amortisation	(25,365)	(14,997)	(11,435)	(4,105)	(174)	(56,076)	-	(56,076)
Operating profit	210,810	225,026	90,411	9,652	5,986	541,885	(26,306)	515,579
(Allowance for)/write-back of impairment on loans, advances and financing and other losses	(58,175)	90,251	(128)	310	-	32,258	-	32,258
Write-back of/(allowance for) of impairment	-	3,281	(134,746)	(4,252)	-	(135,717)	2,836	(132,881)
Segment result	152,635	318,558	(44,463)	5,710	5,986	438,426	(23,470)	414,956
Share of results in an associate								3
Taxation and zakat								(108,521)
Net profit after taxation and zakat								306,438
Segment assets	12,538,126	8,256,399	12,441,012	240,976	32,510	33,509,023	(2,498,753)	31,010,270
Reconciliation of segment assets to consolidated assets:								
Investments in associates								506
Property, plant and equipment								134,733
Unallocated assets								125,696
Intangible assets								361,858
Total assets								31,633,063
Segment Liabilities	13,923,858	9,063,520	7,286,408	117,038	9,204	30,400,028	(1,647,758)	28,752,270
Unallocated liabilities								4,203
Total liabilities								28,756,473

50. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Adjustments due to changes in accounting policies

During the current reporting period, the Group adopted the following significant standards and amendments to FRS :

(i) FRS 139 Financial Instruments: Recognition and Measurement
(ii) IC Interpretation 9 Reassessment of Embedded Derivatives
(iii) FRS 7 Financial Instruments: Disclosures
(iv) Amendments to FRS 139 "Financial Instruments: Recognition and Measurement", FRS 7 "Financial Instruments: Disclosures" and IC Interpretation 9 "Reassessment of Embedded Derivatives"

The objectives of FRS 139 is to establish principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Since the adoption of BNM's revised BNM/GP8 - Guidelines on Financial Reporting for Licensed Institutions on 1 January 2005, certain principles in connection with the recognition, derecognition and measurement of financial instruments, including derivatives instruments which are similar to those prescribed by FRS 139 have been adopted by the Group. With the full adoption of FRS 139 with effect from 1 April 2010 for the Group, this has resulted in the following material changes in accounting policies as follows:

(a) Impairment of loans, advances and financing - the change in the accounting policies is as prescribed in Note 2(i)(i)

(b) Interest and financing income recognition - the change in the accounting policies is as prescribed in Note 2(q).

(c) Fair value on unquoted shares previously recorded at amortised cost - the change in the accounting policies is as prescribed in Note 2(e)(iii).

50. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTD.)

Adjustments due to change in accounting policies (contd.)

The changes in accounting policies as described above which resulted in adjustments to opening reserves of the Group and the Bank are as follows:

	Audited as at 1 April 2010 RM'000	FRS 139 Fair value/ impairment RM'000	Reclassification RM'000	Adjusted As at 1 April 2010 RM'000
BANK				
Statements of Financial Position				
ASSETS				
Cash and short-term funds	3,182,455	-	-	3,182,455
Deposits and placements with banks and other financial institutions	983,000	-	-	983,000
Financial investments available-for-sale	3,266,979	56,520	16,516	3,340,015
Financial investments held-to-maturity	655,250	-	(16,516)	638,734
Derivative financial assets	44,698	-	-	44,698
Loans, advances and financing	17,132,000	59,866	-	17,191,866
Other assets	207,700	(20,214)	-	187,486
Tax recoverable	18,143	-	-	18,143
Statutory deposits with Bank Negara Malaysia	208,200	-	-	208,200
Investment in subsidiaries	801,664	-	-	801,664
Investment in an associate	230	-	-	230
Leasehold land	11,119	-	-	11,119
Property, plant and equipment	115,589	-	-	115,589
Deferred tax assets	65,900	(24,043)	-	41,857
Intangible assets	245,068	-	-	245,068
TOTAL ASSETS	26,937,995	72,129	-	27,010,124
LIABILITIES AND EQUITY				
Deposits from customers	20,450,911	-	-	20,450,911
Deposits and placements of banks and other financial institutions	1,796,043	-	-	1,796,043
Derivative financial liabilities	50,175	-	-	50,175
Amount due to Cagamas Berhad	28,077	-	-	28,077
Bills and acceptances payable	531,369	-	-	531,369
Other liabilities	753,946	-	-	753,946
Subordinated bonds	600,000	-	-	600,000
TOTAL LIABILITIES	24,210,521	-	-	24,210,521
Share capital	600,517	-	-	600,517
Reserves	2,126,957	72,129	-	2,199,086
TOTAL EQUITY	2,727,474	72,129	-	2,799,603
TOTAL LIABILITIES AND EQUITY	26,937,995	72,129	-	27,010,124

50. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTD.)

Adjustments due to change in accounting policies (contd.)

The changes in accounting policies as described above which resulted in adjustments to opening reserves of the Group and the Bank are as follows (contd.):

	Audited as at 1 April 2010 RM'000	FRS 139 Fair value/ impairment RM'000	Reclassification RM'000	Adjusted As at 1 April 2010 RM'000
GROUP				
Statements of Financial Position				
ASSETS				
Cash and short-term funds	3,563,549	-	-	3,563,549
Deposits and placements with banks and other financial institutions	150,156	-	-	150,156
Financial investments available-for-sale	5,154,828	89,499	18,516	5,262,843
Financial investments held-to-maturity	931,420	-	(18,516)	912,904
Derivative financial assets	44,698	-	-	44,698
Loans, advances and financing	20,648,445	57,471	-	20,705,916
Balances due from clients and brokers	72,568	-	-	72,568
Other assets	186,200	(9,034)	-	177,166
Tax recoverable	22,974	-	-	22,974
Statutory deposits with Bank Negara Malaysia	258,406	-	-	258,406
Investment in an associate	506	-	-	506
Leasehold land	11,119	-	-	11,119
Property, plant and equipment	123,614	-	-	123,614
Deferred tax assets	102,722	(34,482)	-	68,240
Intangible assets	361,858	-	-	361,858
TOTAL ASSETS	31,633,063	103,454	-	31,736,517
LIABILITIES AND EQUITY				
Deposits from customers	24,270,378	-	-	24,270,378
Deposits and placements of banks and other financial institutions	2,289,666	-	-	2,289,666
Derivative financial liabilities	50,175	-	-	50,175
Amount due to Cagamas Berhad	28,077	-	-	28,077
Bills and acceptances payable	538,350	-	-	538,350
Balances due to clients and brokers	80,249	-	-	80,249
Other liabilities	895,375	-	-	895,375
Provision for taxation	4,202	-	-	4,202
Deferred tax liabilities	1	-	-	1
Subordinated bonds	600,000	-	-	600,000
TOTAL LIABILITIES	28,756,473	-	-	28,756,473
Share capital	600,517	-	-	600,517
Reserves	2,271,534	103,454	-	2,374,988
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	2,872,051	103,454	-	2,975,505
Minority interests	4,539	-	-	4,539
TOTAL EQUITY	2,876,590	103,454	-	2,980,044
TOTAL LIABILITIES AND EQUITY	31,633,063	103,454	-	31,736,517

The quantification of the financial effect of the changes in accounting policies above on the current year's statements of comprehensive income and its consequential effect on earnings per share is impracticable, as the previous basis of quantifying loan impairment allowances and loan interest recognition has been discontinued upon the adoption of FRS 139.

50. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTD.)

Adjustments due to changes in accounting estimates

FRS 116 "Property, Plant and Equipment" requires the review of the residual value and the useful life of an asset at least at each financial year end. The Bank and the Group revised the estimated useful life of office equipment with effect from 1 April 2010. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charge of the Bank and the Group for the current financial year end have been increased by RM6,600,000 and RM7,086,000 respectively.

51. COMPARATIVES

(i) FRS 101 : Presentation of Financial Statements

As a result of the adoption of the revised FRS 101, income statements of the Bank and of the Group for the comparative financial period year 31 March 2010 have been re-presented as a combined statements of total comprehensive income comprising components of profit or loss and other comprehensive income. All non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of other comprehensive income are not presented in the statement of changes in equity. Since these changes only affect presentation aspects, there is no impact to the results, performance and earnings per ordinary share of the Group.

(ii) FRS 7 : Financial Instruments: Disclosures

The adoption of FRS 7 during the financial year will result in additional disclosures to be made in the annual accounts of the Group. The standard also require disclosure of the statement of financial position and statement of comprehensive income to be made by categories of financial assets and liabilities, which has minimal impact on the comparative disclosures of the Group, as the presentation is already made by categories of financial assets and liabilities.

In addition to the adoption of FRS 101 and FRS 7 that resulted representation of the comparative, the following comparatives have been reclassified to conform with the current period's presentation.

2009 **BANK**	Note	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Statements of Financial Position as at 31 March 2009				
Loans, advances and financing	(i)	16,277,911	97,915	16,375,826
Other assets	(i)	253,999	(97,915)	156,084
Property, plant and equipment	(ii)	124,328	12,136	136,464
Leasehold land	(ii)	12,136	(12,136)	-
Statements of Comprehensive Income for the financial year ended 31 March 2009				
Interest income	(i)	1,206,011	(38,838)	1,167,173
Other operating income	(i)	203,725	38,838	242,563

51. COMPARATIVES (CONTD.)

	Note	As previously stated RM'000	Reclassification RM'000	As restated RM'000
2009				
GROUP				
Statements of Financial Position as at 31 March 2009				
Loans, advances and financing	(i)	18,718,097	57,872	18,775,969
Other assets	(i)	235,179	(57,872)	177,307
Property, plant and equipment	(ii)	137,094	12,136	149,230
Leasehold land	(ii)	12,136	(12,136)	-
Statements of Comprehensive Income for the financial year ended 31 March 2009				
Interest income	(i)	1,250,594	(22,933)	1,227,661
Other operating income	(i)	235,053	22,933	257,986

		As previously stated RM'000	Reclassification RM'000	As restated RM'000
2010				
BANK				
Statements of Financial Position as at 31 March 2010				
Loans, advances and financing	(i)	17,132,000	86,069	17,218,069
Other assets	(i)	207,700	(86,069)	121,631
Property, plant and equipment	(ii)	115,589	11,119	126,708
Leasehold land	(ii)	11,119	(11,119)	-
Statements of Comprehensive Income for the financial year ended 31 March 2010				
Interest income	(i)	1,050,776	(54,437)	996,339
Other operating income	(i)	174,316	54,437	228,753
GROUP				
Statements of Financial Position as at 31 March 2010				
Loans, advances and financing	(i)	20,648,445	57,046	20,705,491
Other assets	(i)	186,200	(57,046)	129,154
Property, plant and equipment	(ii)	123,614	11,119	134,733
Leasehold land	(ii)	11,119	(11,119)	-
Statements of Comprehensive Income for the financial year ended 31 March 2010				
Interest income	(i)	1,093,927	(31,340)	1,062,587
Other operating income	(i)	201,973	31,340	233,313

51. COMPARATIVES (CONTD.)

Note:

(i) The reclassification is in relation to unamortised sales commission which was previously classified as other assets, now reclassified as part of the loans, advances and financing balances. Similarly, the sales commission amortised over the expected life of the loan/financing and hire purchase handling fees, which were previously netted off in other operating income is now netted off against the interest income generated from loan/financing.

(ii) The reclassification is in relation to reclassification of leasehold land to property, plant and equipment due to adoption of FRS 117 improvement.

52. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no significant events during the financial year ended 31 March 2011.

53. SUBSEQUENT EVENTS

(i) Tier-2 Subordinated Medium Term Notes Programme of Up to RM 1.5 billion in nominal value ("Subordinated MTN Programme")

On 8 April 2011, the Bank had completed the issuance of RM600 million Subordinated Medium Term Notes ("Subordinated Notes") under the RM1.5 billion Subordinated MTN Programme.

The Subordinated MTN Programme was earlier approved by Bank Negara Malaysia (“BNM”) and the Securities Commission (“SC”) on 30 December 2010 and 25 February 2011 respectively. The Subordinated Notes are eligible for inclusion as Tier-2 capital of the Bank under BNM's capital adequacy regulations.

The Subordinated Notes have been assigned a long term rating of A2 by RAM Rating Services Berhad with tenure of 10 years, callable five (5) years after the issue date and on every coupon payment date thereafter, subject to BNM’s approval.

The coupon rate for the Subordinated Notes is fixed at 4.82% per annum, payable semi-annually throughout the entire tenure and was issued at discount. The proceeds have been used to redeem the existing RM600 million Subordinated Bonds of the Bank on 26 May 2011.

(ii) Dissolution of subsidiary

KLCS Asset Management Sdn. Bhd., a subsidiary of Alliance Investment Bank Berhad was dissolved on 28 April 2011 pursuant to Section 272(5) of the Companies Act, 1965.

54. NET INCOME FROM ISLAMIC BANKING BUSINESS

	GROUP	
	2011	2010
	RM'000	RM'000
Income derived from investment of depositors' funds and others	292,564	210,509
Income derived from investment of Islamic Banking funds	27,988	25,043
Transfer from Profit Equalisation Reserve	-	50,058
Income attributable to the depositors and financial institutions	(112,805)	(59,130)
	207,747	226,480
Add: Income due to head office eliminated at Group level	24,985	19,341
	232,732	245,821

Note:

Net income from Islamic banking business comprises income generated from both Alliance Islamic Bank Berhad ("AIS"), and Islamic banking business currently residing in Alliance Investment Bank Berhad ("AIBB"). Both AIS and AIBB are wholly-owned subsidiaries of the Bank.