



ALLIANCE BANK

Alliance Bank Malaysia Berhad (88103-W)

REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

88103-W

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

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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 2013.

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.

RESULTS

	<u>BANK</u> RM'000	<u>GROUP</u> RM'000
Profit before taxation and zakat	660,672	714,365
Taxation and zakat	<u>(153,493)</u>	<u>(175,627)</u>
Net profit after taxation and zakat	<u>507,179</u>	<u>538,738</u>
Attributable to:		
Owner of the parent	507,179	538,659
Non-controlling interests	<u>-</u>	<u>79</u>
Net profit after taxation and zakat	<u>507,179</u>	<u>538,738</u>

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 2012 were as follows:

	RM'000
(i) A final dividend of 28.7 sen, less 25% taxation on 596,517,043 ordinary shares in respect of the financial year ended 31 March 2012, was paid on 20 July 2012	128,400
(ii) An interim dividend of 26.2 sen, less 25% taxation on 596,517,043 ordinary shares in respect of the financial year ended 31 March 2013, was paid on 27 November 2012	<u>117,216</u>
	<u>245,616</u>

ORDINARY SHARES DIVIDENDS (CONTD.)

A final dividend of 37.4 sen, less 25% taxation on 596,517,043 ordinary shares amounting to approximately RM167,323,000 (gross dividend: RM223,097,000) 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 2014.

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

The amount of ICPS dividends declared and paid by the Bank since 31 March 2012 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 2013, was paid on 27 November 2012	20,000
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ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME

The Bank's holding company, Alliance Financial Group Berhad has an 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 6 July 2012 and 31 January 2013, 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:

Share options and share grants offered/awarded on 6 July 2012

- (i) 13,021,400 share options under the Share Option Plan at an option price of RM4.22 per share which will be vested subject to the achievement of performance conditions.
- (ii) 1,705,300 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.

Share options and share grants offered/awarded on 31 January 2013

- (i) 1,050,000 share options under the Share Option Plan at an option price of RM4.25 per share which will be vested subject to the achievement of performance conditions.
- (ii) 73,700 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 28 to the financial statements.

Save for 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 2013

For the 12 months ended 31 March 2013, the Group's net profit after taxation was RM538.7 million, an increase of 6.1% compared to FY2012 due to higher net income and net bad debts write-back.

Arising from the improvement in profits, the Group achieved a return on equity of 14.0% and its earnings per share rose to 90 sen (FYE 2012: 85 sen). The Bank declared a final net dividend of RM167.3 million for the financial year ended 31 March 2013.

The Group's net interest income, including Islamic financing income, grew by 4.9% in tandem with the 12.8% expansion in the total loans portfolio to RM28.2 billion from RM25.0 billion a year ago. As customer deposits registered a growth of 11.8% to RM36.0 billion, the loans-to-deposits ratio has risen to 78.4% as at 31 March 2013, from 77.6% last year in line with the Group's objective to ensure more effective utilisation of the balance sheet.

Other operating income registered a 12.5% growth, from higher fee income and gains from treasury trading. Accordingly, non-interest income ratio has further improved to 28.8%, from 26.9% a year ago. Overhead expenses rose by 8.2% as the Group continued its investments in human capital and upgrading of technology and infrastructure to support the on-going business expansion. As a result, the Group's overheads to total income ratio has increased marginally to 47.9%, from 47.3% a year ago.

The Group's asset quality registered further improvement, with the gross impaired loans ratio declining to 2.1%, from 2.5% as of 31 March 2012. The net impaired loans ratio stood at 1.1%, and the Group's loan loss coverage was 82.5%.

The Group's risk-weighted capital ratio remained strong at 14.8%, with Common Equity Tier 1 ratio at 10.6%.

Performance by business segment

The Group's businesses are presented in the following business segments: Consumer Banking, Business Banking, Financial Markets and Investment Banking.

Consumer Banking provides a wide range of personal banking solutions including mortgages, term loans, personal loans, hire purchase facilities, credit cards and wealth management. For the 12 months ended 31 March 2013, Consumer Banking registered profit before taxation of RM161.8 million, which is 6.7% higher compared to same period last year. The increase is due to higher net income from loans growth and non-interest income, mitigated by higher collective provisions as loans growth has accelerated to 17.1%, from 8.9% in the corresponding period. Segment assets was RM16.3 billion as at 31 March 2013.

Business Banking covers Small-and-Medium Enterprise and Wholesale Banking. For the 12 months ended 31 March 2013, Business Banking registered a profit before taxation of RM368.4 million, 19.6% higher compared to RM307.9 million during the same period last year. The increase was mainly due to growth in net income as well as higher write-back of net bad debts as a result of loan recoveries. Segment assets was RM11.2 billion as at 31 March 2013.

Financial Markets provides foreign exchange, money market, hedging, and investment (capital market instruments) solutions for banking customers. For the 12 months ended 31 March 2013, Financial Markets recorded profit before taxation of RM261.6 million, an improvement of 5.5% compared to same period last year. The increase was mainly due to higher net income and capital gains from active portfolio management of the trading and available for sale securities.

Investment Banking covers stockbroking activities and corporate advisory. It reported a loss before taxation of RM14.2 million for the 12 months ended 31 March 2013, due to lower brokerage revenue as a result of lower trading value on Bursa Malaysia and lower fee income.

ECONOMIC OUTLOOK AND PROSPECTS

Bank Negara Malaysia forecasts the domestic economy to register a growth of between 5.0% to 6.0% in 2013. Gross domestic product ("GDP") growth will be driven by domestic demand, led by healthy consumer and capital spending by the private and Government sector. The external demand is expected to improve as the global economy recovers in 2013. The monetary policy in 2013 will focus on addressing the overall outlook for inflation and growth of the Malaysian economy.

BUSINESS OUTLOOK

With the Malaysian economy expected to register a moderate gross domestic product ("GDP") growth of 5.0% to 6.0% in 2013, the Group will continue to capitalise on its strengths to generate sustainable revenue from Consumer Banking and Business Banking, while expanding the opportunities in Wealth Management, Transaction Banking, Treasury and Investment Banking.

In financial year ending 2014, the Group expects sustainable loans growth in Consumer Banking, driven mainly by mortgage lending, hire purchase, personal loans, credit cards and share margin financing. In addition to balance sheet growth, Consumer Banking will also focus on growing its non-interest income through its holistic wealth management solutions.

In financial year ending 2014, the lending activities of Business Banking are expected to grow moderately, in tandem with the continuing demand for credit by businesses, arising from the implementation of projects under the Economic Transformation Programme and Iskandar project.

Business Banking will also continue to focus on cross-selling efforts to grow non-interest income in transaction banking, foreign exchange, investment banking, wealth management products, and business platinum card by capitalising on technology advancements.

Financial Markets will continue to focus on the trading of fixed income securities, primarily Government securities and private debt securities, foreign exchange as well as treasury sales.

Investment Banking has rebuilt its Institutional Business in FYE 2013 and the priority in financial year ending 2014 will be to refine its retail broking business model to achieve operational efficiency. Investment Banking will continue to focus on effective cost management, as well as improving efficiency and productivity. In the corporate finance and advisory business, Investment Banking will continue to leverage on Group's Business Banking customer base.

The Group expects to deliver a satisfactory performance for the financial year ending 31 March 2014.

RATING BY EXTERNAL RATING AGENCY

The Bank is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM's rating in December 2012, 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)
Sng Seow Wah
Megat Dziauddin bin Megat Mahmud
Kung Beng Hong
Tan Yuen Fah
Zakaria bin Abd Hamid
Ou Shian Waei
Kuah Hun Liang
Lee Ah Boon

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 39(c) and Note 41 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

The significant events during the year are disclosed in Note 54 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 55 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 dated 28 May 2013.

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 164 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 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 2013 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 dated 28 May 2013.

Dato' Thomas Mun Lung Lee

Sng Seow Wah

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

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

I, Ng Lip Choon, 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 164 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 Ng Lip Choon
at Kuala Lumpur in the Federal Territory on
28 May 2013

Ng Lip Choon

Before me,

**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 on pages 11 to 164 which comprise the statements of financial position as at 31 March 2013 of the Bank and of the Group, and the statements of comprehensive income, changes in equity and cash flows of the Bank and the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 55.

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965, 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 judgment, 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Bank and the Group as of 31 March 2013 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 or 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
(No. AF: 1146)
Chartered Accountants

ONG CHING CHUAN
(No. 2907/11/13 (J))
Chartered Accountant

Kuala Lumpur, Malaysia
[Date]

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2013

		<u>BANK</u>			<u>GROUP</u>		
		31 March 2013	31 March 2012	1 April 2011	31 March 2013	31 March 2012	1 April 2011
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	3	1,366,655	1,730,290	958,111	1,287,734	1,875,994	911,761
Deposits and placements with banks and other financial institutions	4	124,946	143,461	954,610	153,236	93,438	100,228
Balances due from clients and brokers	5	-	-	-	50,122	61,764	80,543
Financial assets held-for-trading	6	1,265,298	1,342,302	1,176,190	1,519,930	1,491,995	1,938,250
Financial investments available-for-sale	7	8,428,006	7,419,911	6,329,994	10,362,450	9,123,201	9,259,940
Financial investments held-to-maturity	8	101,717	228,622	633,521	596,949	795,256	940,726
Derivative financial assets	9	19,792	23,712	32,047	19,792	23,712	32,047
Loans, advances and financing	10	22,907,273	19,812,605	17,794,354	27,771,741	24,488,832	21,893,950
Other assets	11	78,016	79,901	103,509	75,502	77,799	87,008
Tax recoverable		-	-	-	-	-	2,442
Statutory deposits with Bank Negara Malaysia	12	1,057,450	901,250	225,300	1,330,872	1,162,983	291,008
Investments in subsidiaries	13	792,820	801,664	801,664	-	-	-
Investments in associates	14	230	30,230	30,230	497	27,035	29,038
Property, plant and equipment	15	81,706	87,696	100,847	82,748	89,778	104,553
Deferred tax assets	16	-	-	56,294	11,040	15,038	83,792
Intangible assets	17	241,961	238,588	241,141	356,168	354,902	357,682
		<u>36,465,870</u>	<u>32,840,232</u>	<u>29,437,812</u>	<u>43,618,781</u>	<u>39,681,727</u>	<u>36,112,968</u>
Non-current assets and subsidiary held for sale	18	8,844	3,814	-	35,179	3,814	-
TOTAL ASSETS		<u>36,474,714</u>	<u>32,844,046</u>	<u>29,437,812</u>	<u>43,653,960</u>	<u>39,685,541</u>	<u>36,112,968</u>
LIABILITIES AND EQUITY							
Deposits from customers	19	30,116,637	26,958,903	23,418,868	36,024,299	32,209,594	29,036,879
Deposits and placements of banks and other financial institutions	20	1,310,109	1,186,730	1,390,331	2,009,996	2,161,005	1,952,200
Balances due to clients and brokers	21	-	-	-	30,852	20,626	46,987
Bills and acceptances payable	22	73,683	131	111,140	73,713	178	111,159
Derivative financial liabilities	9	15,870	26,241	33,347	15,870	26,241	33,347
Amount due to Cagamas Berhad	23	16,290	22,044	125,776	16,290	22,044	125,776
Other liabilities	24	750,959	720,819	663,533	822,159	866,788	810,317
Provision for taxation		23,218	7,281	35,206	26,270	24,527	40,507
Deferred tax liabilities	16	15,859	12,191	-	24,430	23,012	6,190
Subordinated obligations	25	612,193	611,615	600,000	612,193	611,615	600,000
		<u>32,934,818</u>	<u>29,545,955</u>	<u>26,378,201</u>	<u>39,656,072</u>	<u>35,965,630</u>	<u>32,763,362</u>
Liabilities directly associated with non-current assets and subsidiary held for sale		-	-	-	19,291	-	-
TOTAL LIABILITIES		<u>32,934,818</u>	<u>29,545,955</u>	<u>26,378,201</u>	<u>39,675,363</u>	<u>35,965,630</u>	<u>32,763,362</u>
Share capital	26	600,517	600,517	600,517	600,517	600,517	600,517
Reserves	27	2,939,379	2,697,574	2,459,094	3,373,333	3,114,489	2,744,601
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNER OF THE PARENT		<u>3,539,896</u>	<u>3,298,091</u>	<u>3,059,611</u>	<u>3,973,850</u>	<u>3,715,006</u>	<u>3,345,118</u>
Non-controlling interests		-	-	-	4,747	4,905	4,488
TOTAL EQUITY		<u>3,539,896</u>	<u>3,298,091</u>	<u>3,059,611</u>	<u>3,978,597</u>	<u>3,719,911</u>	<u>3,349,606</u>
TOTAL LIABILITIES AND EQUITY		<u>36,474,714</u>	<u>32,844,046</u>	<u>29,437,812</u>	<u>43,653,960</u>	<u>39,685,541</u>	<u>36,112,968</u>
COMMITMENTS AND CONTINGENCIES	46	<u>17,341,746</u>	<u>16,775,305</u>	<u>14,758,344</u>	<u>19,079,207</u>	<u>18,741,373</u>	<u>15,909,028</u>

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 2013**

		<u>BANK</u>		<u>GROUP</u>	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income	29	1,361,593	1,257,137	1,429,150	1,321,290
Interest expense	30	(659,456)	(618,607)	(700,930)	(652,989)
Net interest income		702,137	638,530	728,220	668,301
Net income from Islamic banking business	31	-	-	242,158	257,028
		702,137	638,530	970,378	925,329
Other operating income	32	390,734	316,554	360,402	320,276
Net income		1,092,871	955,084	1,330,780	1,245,605
Other operating expenses	33	(473,247)	(429,312)	(636,942)	(588,821)
Operating profit before allowance		619,624	525,772	693,838	656,784
Write-back of/(allowance for) losses on loans, advances and financing and other losses	34	41,048	(12,662)	24,767	3,053
Write-back of impairment	35	-	15,187	474	21,643
Operating profit after allowance		660,672	528,297	719,079	681,480
Share of results of associates	14	-	-	(4,714)	(2,003)
Profit before taxation and zakat		660,672	528,297	714,365	679,477
Taxation and zakat	36	(153,493)	(133,571)	(175,627)	(171,867)
Net profit after taxation and zakat		507,179	394,726	538,738	507,610
Other comprehensive income:					
Revaluation reserve on financial investments available-for-sale					
- Net (loss)/gain from change in fair value		(4,103)	60,377	(23,163)	85,531
- Transfer from/(to) deferred tax		1,026	(15,094)	5,791	(21,382)
Other comprehensive (expense)/income, net of tax		(3,077)	45,283	(17,372)	64,149
Total comprehensive income for the year		504,102	440,009	521,366	571,759
Profit attributable to:					
Owner of the parent		507,179	394,726	538,659	507,126
Non-controlling interests		-	-	79	484
Net profit after taxation and zakat		507,179	394,726	538,738	507,610
Total comprehensive income attributable to:					
Owner of the parent		504,102	440,009	521,287	571,275
Non-controlling interests		-	-	79	484
Total comprehensive income for the year		504,102	440,009	521,366	571,759
Earnings per share attributable to owner of the parent	37				
- Basic (sen)				90	85
- Diluted (sen)				68	64

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 2013**

	Non-distributable reserves					Distributable reserves		
	Ordinary shares	ICPS	Share premium	Statutory reserve	Revaluation reserves	Equity contribution from parent	Retained profits	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BANK								
At 1 April 2011								
- As previously stated	596,517	4,000	597,517	601,561	43,051	11,803	1,148,228	3,002,677
- Effect of change in accounting policy	-	-	-	-	-	-	56,934	56,934
As restated	596,517	4,000	597,517	601,561	43,051	11,803	1,205,162	3,059,611
Net profit after taxation and zakat	-	-	-	-	-	-	394,726	394,726
Other comprehensive income	-	-	-	-	45,283	-	-	45,283
Total comprehensive income	-	-	-	-	45,283	-	394,726	440,009
Share-based payment under ESS	-	-	-	-	-	5,955	-	5,955
Payment for ESS recharged from parent	-	-	-	-	-	(3,161)	-	(3,161)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	156	(156)	-
Transfer to retained profits on share options lapsed	-	-	-	-	-	(2,479)	2,479	-
Dividends paid (Note 38)	-	-	-	-	-	-	(204,323)	(204,323)
At 31 March 2012	596,517	4,000	597,517	601,561	88,334	12,274	1,397,888	3,298,091
At 1 April 2012								
- As previously stated	596,517	4,000	597,517	601,561	88,334	12,274	1,333,979	3,234,182
- Effect of change in accounting policy	-	-	-	-	-	-	63,909	63,909
As restated	596,517	4,000	597,517	601,561	88,334	12,274	1,397,888	3,298,091
Net profit after taxation and zakat	-	-	-	-	-	-	507,179	507,179
Other comprehensive expense	-	-	-	-	(3,077)	-	-	(3,077)
Total comprehensive (expense)/income	-	-	-	-	(3,077)	-	507,179	504,102
Share-based payment under ESS	-	-	-	-	-	7,741	-	7,741
Payment for ESS recharged from parent	-	-	-	-	-	(4,422)	-	(4,422)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	76	(76)	-
Transfer to retained profits on share options lapsed	-	-	-	-	-	(2,174)	2,174	-
Dividends paid (Note 38)	-	-	-	-	-	-	(265,616)	(265,616)
At 31 March 2013	596,517	4,000	597,517	601,561	85,257	13,495	1,641,549	3,539,896

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 2013 (CONTD.)**

	Attributable to Owner of the Parent												
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	Non-controlling interests RM'000	Total equity RM'000	
At 1 April 2011													
- As previously stated	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	
- Effect of change in accounting policy	-	-	-	-	-	-	-	-	73,241	73,241	-	73,241	
As restated	596,517	4,000	597,517	786,406	10,018	68,620	13,544	1,033	1,267,463	3,345,118	4,488	3,349,606	
Net profit after taxation and zakat	-	-	-	-	-	-	-	-	507,126	507,126	484	507,610	
Other comprehensive income	-	-	-	-	-	64,149	-	-	-	64,149	-	64,149	
Total comprehensive income	-	-	-	-	-	64,149	-	-	507,126	571,275	484	571,759	
Share-based payment under ESS	-	-	-	-	-	-	6,494	-	-	6,494	-	6,494	
Payment for ESS recharged from parent	-	-	-	-	-	-	(3,558)	-	-	(3,558)	-	(3,558)	
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	172	-	(172)	-	-	-	
Transfer to retained profits on share options lapsed	-	-	-	-	-	-	(2,919)	-	2,919	-	-	-	
Transfer to statutory reserve	-	-	-	55,761	-	-	-	-	(55,761)	-	-	-	
Dividends paid (Note 38)	-	-	-	-	-	-	-	-	(204,323)	(204,323)	(67)	(204,390)	
At 31 March 2012	596,517	4,000	597,517	842,167	10,018	132,769	13,733	1,033	1,517,252	3,715,006	4,905	3,719,911	
At 1 April 2012													
- As previously stated	596,517	4,000	597,517	842,167	10,018	132,769	13,733	1,033	1,420,731	3,618,485	4,905	3,623,390	
- Effect of change in accounting policy	-	-	-	-	-	-	-	-	96,521	96,521	-	96,521	
As restated	596,517	4,000	597,517	842,167	10,018	132,769	13,733	1,033	1,517,252	3,715,006	4,905	3,719,911	
Net profit after taxation and zakat	-	-	-	-	-	-	-	-	538,659	538,659	79	538,738	
Other comprehensive expense	-	-	-	-	-	(17,372)	-	-	-	(17,372)	-	(17,372)	
Total comprehensive (expense)/income	-	-	-	-	-	(17,372)	-	-	538,659	521,287	79	521,366	
Share-based payment under ESS	-	-	-	-	-	-	8,221	-	-	8,221	-	8,221	
Payment for ESS recharged from parent	-	-	-	-	-	-	(5,048)	-	-	(5,048)	-	(5,048)	
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	40	-	(40)	-	-	-	
Transfer to retained profits on share options lapsed	-	-	-	-	-	-	(2,578)	-	2,578	-	-	-	
Transfer to statutory reserve	-	-	-	43,577	-	-	-	-	(43,577)	-	-	-	
Dividends paid (Note 38)	-	-	-	-	-	-	-	-	(265,616)	(265,616)	(237)	(265,853)	
At 31 March 2013	596,517	4,000	597,517	885,744	10,018	115,397	14,368	1,033	1,749,256	3,973,850	4,747	3,978,597	

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 2013**

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation and zakat	660,672	528,297	714,365	679,477
Adjustments for:				
Accretion of discount less amortisation				
of premium of financial investments	(113,139)	(90,058)	(125,996)	(94,369)
Depreciation of property, plant and equipment	25,476	27,091	26,382	29,271
Amortisation of computer software	20,091	17,853	20,334	18,239
Dividends from financial				
investments available-for-sale	(3,003)	(9,544)	(3,739)	(10,229)
Dividends from subsidiaries	(74,648)	(34,732)	-	-
Gain on disposal of property, plant and equipment	(557)	(306)	(472)	(309)
Gain on disposal of non-current asset held for sale	(7,556)	-	(7,556)	-
Property, plant and equipment written-off	510	2,019	511	2,046
Computer software written-off	1	841	1	841
Loss on disposal of foreclosed properties	-	-	-	20
Net gain from redemption of				
financial investments held-to-maturity	(6,858)	(16,831)	(7,771)	(16,831)
Net gain from sale of				
financial assets held-for-trading	(704)	(3,568)	(704)	(3,699)
Net gain from sale of financial				
investments available-for-sale	(52,451)	(43,050)	(61,526)	(47,408)
Unrealised (gain)/loss on revaluation				
of financial assets held-for-trading	(33)	149	(46)	185
Interest expense on subordinated obligations	29,419	34,513	29,419	34,513
Unrealised gain on revaluation of				
derivative instruments	(5,407)	(1,572)	(5,407)	(1,572)
Interest income from financial investments				
held-to-maturity	(5,666)	(17,063)	(12,527)	(22,751)
Interest income from financial				
investments available-for-sale	(229,222)	(208,528)	(245,750)	(253,237)
Interest income from financial assets held-for-trading	(2,755)	(3,798)	(2,755)	(3,862)
Allowance for loans, advances and				
financing (net of recoveries)	3,936	28,406	27,708	30,735
Allowance for other assets (net of recoveries)	4,304	5,436	4,422	5,641
Net write-back of financial investments				
available-for-sale	-	(16,303)	(474)	(22,759)
Operating profit before working				
capital changes carried forward	242,410	199,252	348,419	323,942

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS**FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)**

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Operating profit before working capital changes brought forward	242,410	199,252	348,419	323,942
Net write-back of financial investments held-to-maturity	-	(344)	-	(344)
Allowance for impairment of property, plant and equipment	-	1,460	-	1,460
Write-back of commitment and contingencies	-	(1,482)	(197)	(4,210)
Share options/grants under Employees' Share Scheme	7,741	5,955	8,221	6,494
Gain from disposal of an associate	(15,000)	-	(23,176)	-
Share of results of associates	-	-	4,714	2,003
Operating profit before working capital changes	235,151	204,841	337,981	329,345
Changes in working capital:				
Deposits from customers	3,157,734	3,540,035	3,814,705	3,172,715
Deposits and placements of banks and other financial institutions	123,379	(203,601)	(151,009)	208,805
Bills and acceptances payable	73,552	(111,009)	73,535	(110,981)
Other liabilities	32,684	71,282	(25,146)	73,194
Deposits and placements with banks and other financial institutions	18,515	811,149	(66,867)	6,790
Financial assets held-for-trading	100,916	(152,792)	(2,936)	460,685
Loans, advances and financing	(3,098,602)	(2,046,657)	(3,310,617)	(2,625,617)
Other assets	(5,774)	(1,873)	(16,555)	2,364
Balances due from/(to) clients and brokers	-	-	21,868	(7,453)
Amount due (to)/from subsidiaries	(472)	19,148	-	-
Amount due from/(to) holding company	236	(353)	283	(353)
Statutory deposits with Bank Negara Malaysia	(156,200)	(675,950)	(167,889)	(871,975)
Amount due to Cagamas Berhad	(5,754)	(103,732)	(5,754)	(103,732)
Payment for ESS recharged from parent	(4,422)	(3,161)	(5,048)	(3,558)
Cash generated from operations	470,943	1,347,327	496,551	530,229
Taxes and zakat paid	(114,200)	(99,456)	(163,011)	(121,198)
Net cash generated from operating activities	356,743	1,247,871	333,540	409,031

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS**FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)**

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends from financial				
investments available-for-sale	3,003	9,538	3,739	10,219
Dividends from subsidiaries	55,986	26,088	-	-
Interest income from financial				
investments held-to-maturity	5,666	17,063	12,527	22,751
Interest income from financial				
investments available-for-sale	229,222	208,528	245,750	253,237
Interest income from financial assets held-for-trading	2,755	3,798	2,755	3,862
Purchase of property, plant and equipment	(20,712)	(21,599)	(20,906)	(22,184)
Purchase of computer software	(23,465)	(16,141)	(23,776)	(16,300)
Proceeds from redemption and maturity of financial				
investments held-to-maturity (net of purchase)	189,221	474,065	265,190	218,950
Purchase of financial investments				
available-for-sale, net of sale proceeds	(925,240)	(942,169)	(1,157,776)	319,507
Proceeds from disposal of property,				
plant and equipment	1,273	672	1,507	677
Proceeds from disposal of				
non-current assets held for sale	11,370	-	11,370	-
Proceeds from disposal of foreclosed properties	-	4,200	-	4,285
Proceeds from disposal of investment in an associate	45,000	-	45,000	-
Net cash (used in)/generated from investing activities	<u>(425,921)</u>	<u>(235,957)</u>	<u>(614,620)</u>	<u>795,004</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest expense on subordinated obligations	(28,841)	(32,778)	(28,841)	(32,778)
Dividends paid to holding company	(265,616)	(204,323)	(265,616)	(204,323)
Dividends paid to non-controlling interests	-	-	(237)	(67)
Proceeds from issuance of subordinated notes	-	597,366	-	597,366
Redemption of subordinated bonds	-	(600,000)	-	(600,000)
Net cash used in financing activities	<u>(294,457)</u>	<u>(239,735)</u>	<u>(294,694)</u>	<u>(239,802)</u>

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS**FOR THE YEAR ENDED 31 MARCH 2013 (CONTD.)**

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Net change in cash and cash equivalents	(363,635)	772,179	(575,774)	964,233
Cash and cash equivalents at beginning of year	<u>1,730,290</u>	<u>958,111</u>	<u>1,875,994</u>	<u>911,761</u>
Cash and cash equivalents at end of year	<u><u>1,366,655</u></u>	<u><u>1,730,290</u></u>	<u><u>1,300,220</u></u>	<u><u>1,875,994</u></u>
Cash and cash equivalents comprise the following:				
Cash and short-term funds	1,366,655	1,730,290	1,287,734	1,875,994
Cash and short-term funds reclassified to non-current assets held for sale (Note 18)	<u>-</u>	<u>-</u>	<u>12,486</u>	<u>-</u>
	<u><u>1,366,655</u></u>	<u><u>1,730,290</u></u>	<u><u>1,300,220</u></u>	<u><u>1,875,994</u></u>

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 2013

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.

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 28 May 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

Malaysian Financial Reporting Standards ("MFRS") Framework

The financial statements of the Bank and the Group have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Bank and the Group for the financial year ended 31 March 2013 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1, 'First-time Adoption of Malaysian Financial Reporting Standards'. The Bank and the Group have consistently applied the same accounting policies in its opening MFRS statements of financial position at 1 April 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for 31 March 2012 and 1 April 2011 in the financial statements have been restated to give effect to these changes. Note 52 discloses the impact of the transition to MFRS on the Bank and the Group's reported financial position, financial performance and cash flows.

The financial statements of the Bank and the Group have been prepared under the historical cost convention, as modified by the available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

The preparation of the financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts 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 judgment in the process of applying the Bank and the Group's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment 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 (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 are extrapolated in perpetuity and discount rates are applied to the cash flow projections.
- (ii) Allowance for losses on loans, advances and financing and other losses (Note 34) - 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 judgment 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 flows to service debt obligations and the aggregate amount and ranking of all other creditor claims.

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

The Bank and the Group will apply the new standards, amendments to standards and interpretations in the following period:

Financial year beginning on/after 1 April 2013

- (a) MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

Financial year beginning on/after 1 April 2013 (contd.)

- (b) MFRS 11 "Joint arrangements" (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- (c) MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.
- (d) MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.
- (e) The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.
- (f) The revised MFRS 128 "Investments in associates and joint ventures" (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.
- (g) Amendment to MFRS 7 "Financial instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.
- (h) Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

- (i) Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

Financial year beginning on/after 1 April 2014

- (a) Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

Financial year beginning on/after 1 April 2015

- (a) MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ("OCI"). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

MFRS 7 requires disclosures on transition for MFRS 139 to MFRS 9.

MFRS 9 introduces changes in the way the Bank and the Group accounts for financial instruments. Due to the complexity of this standard and its proposed changes, the financial effects of its adoption are still being assessed by the Bank and the Group.

Unless otherwise disclosed, the above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Bank and the Group in the year of initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Economic Entities in the Group

(i) Subsidiaries

Subsidiaries are all 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. Acquisition-related costs are expensed as incurred.

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 non-controlling 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 than the fair value of the identifiable net assets of the subsidiary acquired, the gain is recognised directly in the statement of comprehensive income.

Non-controlling 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. At the end of the reporting period, non-controlling interest consists of amount calculated on the date of business combination to the Group and its share of changes in the subsidiaries' equity since the date of business combination.

All profits or losses of the subsidiaries are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interests results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interest for prior years is not restated. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(ii) Associates

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but 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 its 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.

(iii) Changes in ownership interests

When the Group ceases to have control, joint control or significant influence any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, 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. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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 allocates financial assets to the following categories: loans, advances and financing; financial assets held-for-trading; 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Financial Assets (contd.)

(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 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 Group from classifying the similar class of financial instruments as financial investments held-to-maturity for the current and following two (2) financial years.

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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.

Interest payables are now classified 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.

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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (contd.)

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

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

- (a) significant financial difficulty of the 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, and individually or collectively for loans, advances and financing that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan whether significant or not, 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.

The calculation of the present value of the estimated future cash flows of a collateralised loan 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 loan is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If the individually assessment does not result in impairment provisions, the Group includes them in group of similar credit risk characteristics and collectively assesses them for impairment.

Loans which are not individually assessed, are grouped together for collective impairment assessment. These loans are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. These characteristics are relevant to the estimation of future cash flows for groups of such loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being assessed. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Company to reduce any differences between loss estimates and actual loss experience.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (contd.)

(ii) Financial investments held-to-maturity

For financial investments held-to-maturity 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (contd.)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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).

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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.

(o) Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Balances Due From Clients and Brokers

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

<u>Types</u>	<u>Doubtful</u>	<u>Bad</u>
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.

(q) Recognition of Interest and Financing Income

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.

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.

For impaired loans where the value has been reduced as a result of impairment loss, interest income continues to be accrued using the rate of interest used to discount the future cash flows for the purposes of measuring the impairment.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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.

(t) Derivatives Financial Instruments and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The Group designates derivatives that qualify for hedge accounting as either:

- (i) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (ii) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (iii) Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(t) Derivatives Financial Instruments and Hedging Activities (contd.)

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in statement of comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in statement of changes in equity and is recognised when the forecast transaction is ultimately recognised in statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in statement of changes in equity is immediately transferred to statement of comprehensive income.

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in statement of comprehensive income.

Gains and losses accumulated in other comprehensive income are included in statement of comprehensive income when the foreign operation is partially disposed of or sold.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivatives instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of comprehensive income.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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 the lower of carrying amount and fair value less costs to sell.

(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 Islamic business zakat. It is an obligatory amount payable by an Islamic banking subsidiary to comply with the Shariah principles.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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) Financial Guarantee Contract

Financial guarantee contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdraft and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank and the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with MFRS 137 "Provision, Contingent Liabilities and Contingent Assets", and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the profit or loss.

(ac) 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.

(ad) Non-current Assets Held for Sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

3. CASH AND SHORT-TERM FUNDS

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Cash and balances with banks and other financial institutions	468,585	436,694	417,838
Money at call and deposit placements maturing within one month	898,070	1,293,596	540,273
	<u>1,366,655</u>	<u>1,730,290</u>	<u>958,111</u>
	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Cash and balances with banks and other financial institutions	503,020	488,970	501,613
Money at call and deposit placements maturing within one month	784,714	1,387,024	410,148
	<u>1,287,734</u>	<u>1,875,994</u>	<u>911,761</u>

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Licensed banks	124,946	93,269	50,029
Licensed investment banks	-	50,192	150,125
Licensed Islamic banks	-	-	754,456
	<u>124,946</u>	<u>143,461</u>	<u>954,610</u>
	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Licensed banks	153,236	93,438	50,193
Licensed investment banks	-	-	50,035
	<u>153,236</u>	<u>93,438</u>	<u>100,228</u>

5. BALANCES DUE FROM CLIENTS AND BROKERS

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Due from clients	34,205	58,060	96,318
Due from brokers	17,132	4,900	-
	<u>51,337</u>	<u>62,960</u>	<u>96,318</u>
Less:			
Allowance for other losses	<u>(1,215)</u>	<u>(1,196)</u>	<u>(15,775)</u>
	<u>50,122</u>	<u>61,764</u>	<u>80,543</u>

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:

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Classified as doubtful	58	165	976
Classified as bad	1,290	1,420	15,856
	<u>1,348</u>	<u>1,585</u>	<u>16,832</u>

The movements in allowance for other losses are as follows:

	<u>GROUP</u>	
	31 March 2013 RM'000	31 March 2012 RM'000
At beginning of year		
- As previously stated	1,262	15,799
- Effect of change in accounting policy	(66)	(24)
As restated	<u>1,196</u>	<u>15,775</u>
Allowance made/(write-back) during the year (net)	19	(129)
Amount written-off	<u>-</u>	<u>(14,450)</u>
At end of year	<u>1,215</u>	<u>1,196</u>

6. FINANCIAL ASSETS HELD-FOR-TRADING

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
At fair value			
<u>Money market instruments:</u>			
Bank Negara Malaysia bills	1,265,298	1,222,003	1,096,239
Malaysian Government securities	-	20,053	-
Malaysian Government investment certificates	-	100,246	59,951
Malaysian Government treasury bills	-	-	20,000
	<u>1,265,298</u>	<u>1,342,302</u>	<u>1,176,190</u>

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
At fair value			
<u>Money market instruments:</u>			
Bank Negara Malaysia bills	1,519,930	1,371,696	1,848,299
Malaysian Government securities	-	20,053	-
Malaysian Government investment certificates	-	100,246	59,951
Malaysian Government treasury bills	-	-	30,000
	<u>1,519,930</u>	<u>1,491,995</u>	<u>1,938,250</u>

7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
At fair value			
<u>Money market instruments:</u>			
Malaysian Government securities	971,385	1,894,220	2,659,093
Malaysian Government investment certificates	1,690,067	1,132,121	162,420
Negotiable instruments of deposits	1,801,738	1,344,854	1,042,371
Bankers' acceptances	1,669,269	1,532,859	956,814
Cagamas bonds	-	20,137	20,213
<u>Quoted securities in Malaysia:</u>			
Shares	9	13	11
Debt securities	-	4,768	7,818
<u>Unquoted securities:</u>			
Shares	99,463	94,895	82,607
Debt securities and medium term notes	2,196,075	1,396,044	1,398,647
	<u>8,428,006</u>	<u>7,419,911</u>	<u>6,329,994</u>

7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTD.)

		<u>GROUP</u>	
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
At fair value			
<u>Money market instruments:</u>			
Malaysian Government securities	1,265,606	2,316,772	3,244,713
Malaysian Government investment certificates	2,336,784	1,833,967	764,371
Negotiable instruments of deposits	1,676,828	884,535	1,741,201
Bankers' acceptances	2,113,749	1,944,074	1,388,637
Cagamas bonds	-	35,254	35,396
<u>Quoted securities in Malaysia:</u>			
Shares	9	4,212	3,875
Debt securities	-	4,768	7,818
<u>Unquoted securities:</u>			
Shares	137,383	135,888	117,587
Debt securities and medium term notes	2,832,091	1,963,731	1,956,342
	<u>10,362,450</u>	<u>9,123,201</u>	<u>9,259,940</u>

8. FINANCIAL INVESTMENTS HELD-TO-MATURITY

		<u>BANK</u>	
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
At amortised cost			
<u>Money market instruments:</u>			
Malaysian Government securities	101,256	227,177	629,057
At cost			
<u>Unquoted securities:</u>			
Debt securities	11,692	18,858	61,177
	<u>112,948</u>	<u>246,035</u>	<u>690,234</u>
Accumulated impairment	(11,231)	(17,413)	(56,713)
	<u>101,717</u>	<u>228,622</u>	<u>633,521</u>

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

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
At amortised cost			
<u>Money market instruments:</u>			
Malaysian Government securities	152,497	328,639	804,820
Malaysian Government investment certificates	438,766	439,463	105,624
At cost			
<u>Quoted securities in Malaysia:</u>			
Debt securities	-	-	4,902
<u>Unquoted securities:</u>			
Debt securities	46,217	74,283	116,711
	637,480	842,385	1,032,057
Accumulated impairment	(40,531)	(47,129)	(91,331)
	<u>596,949</u>	<u>795,256</u>	<u>940,726</u>

The table below shows the movements in accumulated impairment during the financial year:

	<u>BANK</u>	
	31 March 2013 RM'000	31 March 2012 RM'000
At beginning of year	17,413	56,713
Write-back during the year	(6,182)	(39,300)
At end of year	<u>11,231</u>	<u>17,413</u>

	<u>GROUP</u>	
	31 March 2013 RM'000	31 March 2012 RM'000
At beginning of year	47,129	91,331
Reclassified to financial investments available-for-sale due to conversion of bond into equity instrument	-	(4,902)
Write-back during the year	(6,598)	(39,300)
At end of year	<u>40,531</u>	<u>47,129</u>

9. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative financial instruments are 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 43.

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.

	31 March 2013			31 March 2012			1 April 2011		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BANK/GROUP									
<u>Trading Derivatives</u>									
Foreign exchange and commodity contracts:									
- Currency forwards	766,579	2,571	(4,572)	859,253	4,792	(6,243)	442,706	1,217	(7,713)
- Currency swaps	2,972,174	11,465	(5,918)	1,690,284	9,774	(8,784)	1,819,102	18,692	(18,042)
- Currency spots	119,254	162	(152)	258,209	185	(150)	76,047	70	(37)
- Currency options	80,105	209	(105)	122,204	467	(324)	24,473	90	(57)
- Gold options	-	-	-	217,538	2,512	(1,102)	482,299	2,499	(2,499)
Interest rate related contracts:									
- Interest rate swaps	2,045,000	5,094	(3,084)	2,106,781	5,982	(9,215)	2,112,000	9,479	(4,999)
Equity related contracts:									
- Options	54,032	291	(291)	-	-	-	-	-	-
<u>Hedging Derivatives</u>									
Interest rate related contracts:									
- Interest rate swaps	211,608	-	(1,748)	14,115	-	(423)	-	-	-
Total derivative assets/(liabilities)	6,248,752	19,792	(15,870)	5,268,384	23,712	(26,241)	4,956,627	32,047	(33,347)

The Bank and the Group use fair value hedges to protect against the changes in fair value of financial assets and financial liabilities for a structure deposit due to movements in market interest rates.

During the financial year, the Bank and the Group use interest rate swaps to hedge against interest rate risk of structured deposits. There was no ineffectiveness to be recorded from their fair value hedge.

10. LOANS, ADVANCES AND FINANCING

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Overdrafts	1,711,309	1,689,325	1,604,946
Term loans/financing			
- Housing loans/financing	8,918,988	7,769,654	7,365,412
- Syndicated term loans/financing	446,852	464,662	267,440
- Hire purchase receivables	583,118	310,514	386,013
- Other term loans/financing	6,888,893	5,710,639	4,323,880
Bills receivables	262,951	308,446	178,851
Trust receipts	155,090	184,050	158,010
Claims on customers under acceptance credits	1,797,526	1,947,280	1,847,055
Staff loans	23,984	28,602	32,821
Credit/charge card receivables	581,335	623,563	663,059
Revolving credits	1,029,328	844,824	1,157,019
Other loans	856,142	357,647	270,341
Gross loans, advances and financing	23,255,516	20,239,206	18,254,847
Add: Sales commissions and handling fees	42,873	38,007	37,722
Less: Allowance for impairment on loans, advances and financing			
- Individual assessment allowance	(95,282)	(132,263)	(140,584)
- Collective assessment allowance	(295,834)	(332,345)	(357,631)
Total net loans, advances and financing	<u>22,907,273</u>	<u>19,812,605</u>	<u>17,794,354</u>
	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Overdrafts	1,902,717	1,854,599	1,755,656
Term loans/financing			
- Housing loans/financing	10,980,836	9,269,933	8,340,142
- Syndicated term loans/financing	454,866	475,520	289,733
- Hire purchase receivables	820,934	654,393	784,158
- Other term loans/financing	8,511,897	7,729,424	6,323,214
Bills receivables	263,450	308,763	179,607
Trust receipts	176,776	207,515	176,815
Claims on customers under acceptance credits	2,262,586	2,337,993	2,203,865
Staff loans [included loans to Directors of a subsidiary of RMNil (31 March 2012: RM92,000; 1 April 2011 : RM121,000)]	50,120	54,567	60,938
Credit/charge card receivables	581,335	623,563	663,059
Revolving credits	1,197,953	1,044,595	1,348,813
Other loans	1,022,010	451,282	347,518
Gross loans, advances and financing	28,225,480	25,012,147	22,473,518
Add: Sales commissions and handling fees	23,935	28,523	24,969
Less: Allowance for impairment on loans, advances and financing			
- Individual assessment allowance	(128,471)	(157,966)	(179,423)
- Collective assessment allowance	(349,203)	(393,872)	(425,114)
Total net loans, advances and financing	<u>27,771,741</u>	<u>24,488,832</u>	<u>21,893,950</u>

10. LOANS, ADVANCES AND FINANCING (CONTD.)(i) By maturity structure:

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Within one year	6,775,321	6,085,546	6,007,333
One year to three years	600,314	549,249	433,308
Three years to five years	971,161	726,074	1,033,229
Over five years	14,908,720	12,878,337	10,780,977
Gross loans, advances and financing	<u>23,255,516</u>	<u>20,239,206</u>	<u>18,254,847</u>

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Within one year	7,839,679	7,038,788	6,884,232
One year to three years	776,896	823,437	771,689
Three years to five years	1,318,636	1,184,497	1,390,315
Over five years	18,290,269	15,965,425	13,427,282
Gross loans, advances and financing	<u>28,225,480</u>	<u>25,012,147</u>	<u>22,473,518</u>

(ii) By type of customer:

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Domestic non-bank financial institutions			
- Stockbroking companies	16,909	-	20,002
- Others	386,100	136,428	156,188
Domestic business enterprises			
- Small and medium enterprises	5,186,623	4,682,227	4,099,282
- Others	4,283,204	4,209,083	3,800,176
Government and statutory bodies	10,905	12,477	15,973
Individuals	12,478,558	10,393,832	9,650,753
Other domestic entities	248,195	247,403	14,311
Foreign entities	645,022	557,756	498,162
Gross loans, advances and financing	<u>23,255,516</u>	<u>20,239,206</u>	<u>18,254,847</u>

10. LOANS, ADVANCES AND FINANCING (CONTD.)(ii) By type of customer (contd.):

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Domestic non-bank financial institutions			
- Stockbroking companies	16,909	-	20,002
- Others	456,836	207,164	187,412
Domestic business enterprises			
- Small and medium enterprises	6,038,657	5,474,004	4,786,939
- Others	4,979,563	4,975,449	4,544,584
Government and statutory bodies	10,905	12,618	18,224
Individuals	15,714,244	13,469,972	12,367,461
Other domestic entities	248,380	247,679	14,671
Foreign entities	759,986	625,261	534,225
Gross loans, advances and financing	<u>28,225,480</u>	<u>25,012,147</u>	<u>22,473,518</u>

(iii) By interest/profit rate sensitivity:

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Fixed rate			
- Housing loans/financing	16,506	20,472	24,800
- Hire purchase receivables	583,118	310,515	386,013
- Other fixed rate loans/financing	948,731	679,678	732,691
Variable rate			
- Base lending rate plus	16,517,591	14,453,299	13,404,554
- Cost plus	4,964,962	4,493,636	3,553,200
- Other variable rate loans/financing	224,608	281,606	153,589
Gross loans, advances and financing	<u>23,255,516</u>	<u>20,239,206</u>	<u>18,254,847</u>

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Fixed rate			
- Housing loans/financing	83,318	90,842	107,750
- Hire purchase receivables	820,934	654,394	784,158
- Other fixed rate loans/financing	1,843,089	1,997,715	2,207,220
Variable rate			
- Base lending rate plus	19,556,732	16,761,836	15,019,589
- Cost plus	5,668,573	5,203,667	4,124,035
- Other variable rate loans/financing	252,834	303,693	230,766
Gross loans, advances and financing	<u>28,225,480</u>	<u>25,012,147</u>	<u>22,473,518</u>

10. LOANS, ADVANCES AND FINANCING (CONTD.)(iv) By economic purposes:

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Purchase of securities	910,565	362,378	276,517
Purchase of transport vehicles	493,059	212,087	296,099
Purchase of landed property	12,833,926	11,195,180	10,150,922
of which: - Residential	9,610,629	8,327,146	7,745,385
- Non-residential	3,223,297	2,868,034	2,405,537
Purchase of fixed assets excluding land and buildings	130,153	115,605	96,745
Personal use	1,010,044	866,287	730,267
Credit card	581,335	623,563	663,059
Construction	286,674	236,719	238,415
Mergers and acquisitions	369,164	207,265	-
Working capital	5,374,053	5,508,272	5,341,526
Others	1,266,543	911,850	461,297
Gross loans, advances and financing	23,255,516	20,239,206	18,254,847
	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Purchase of securities	1,076,433	456,014	354,975
Purchase of transport vehicles	737,908	561,821	704,166
Purchase of landed property	15,335,694	13,116,463	11,533,279
of which: - Residential	11,609,873	9,761,038	8,687,329
- Non-residential	3,725,821	3,355,425	2,845,950
Purchase of fixed assets excluding land and buildings	130,994	117,110	99,836
Personal use	1,952,851	2,147,220	2,095,847
Credit card	581,335	623,563	663,059
Construction	296,431	249,710	253,621
Mergers and acquisition	369,164	207,265	-
Working capital	6,266,473	6,338,755	6,129,647
Others	1,478,197	1,194,226	639,088
Gross loans, advances and financing	28,225,480	25,012,147	22,473,518

10. LOANS, ADVANCES AND FINANCING (CONTD.)(v) By geographical distribution:

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Northern region	1,626,756	1,646,984	1,577,745
Central region	17,613,423	15,062,479	13,170,902
Southern region	1,981,896	1,694,344	1,674,764
East Malaysia region	2,033,441	1,835,399	1,831,436
Gross loans, advances and financing	<u>23,255,516</u>	<u>20,239,206</u>	<u>18,254,847</u>
	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Northern region	1,884,397	1,915,373	1,886,813
Central region	21,463,279	18,846,423	16,466,555
Southern region	2,492,437	2,102,419	2,018,373
East Malaysia region	2,385,367	2,147,932	2,101,777
Gross loans, advances and financing	<u>28,225,480</u>	<u>25,012,147</u>	<u>22,473,518</u>

(vi) Movements in impaired loans, advances and financing ("impaired loans") are as follows:

	<u>BANK</u>		<u>GROUP</u>	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
At beginning of year				
- As previously stated	511,985	592,458	601,135	741,324
- Effect of change in accounting policy	23,927	30,608	28,101	34,157
As restated	535,912	623,066	629,236	775,481
Impaired during the year	388,936	338,213	524,030	435,383
Reclassified as performing during the year	(249,057)	(268,690)	(315,366)	(361,159)
Recoveries	(125,830)	(75,220)	(156,795)	(106,986)
Amount written-off	(77,428)	(81,457)	(101,872)	(113,483)
At end of year	<u>472,533</u>	<u>535,912</u>	<u>579,233</u>	<u>629,236</u>
Gross impaired loans as % of gross loans, advances and financing	<u>2.0%</u>	<u>2.6%</u>	<u>2.1%</u>	<u>2.5%</u>

10. LOANS, ADVANCES AND FINANCING (CONTD.)(vii) Movements in the allowance for impairment on loans, advances and financing are as follows:

	<u>BANK</u>		<u>GROUP</u>	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Individual assessment allowance				
At beginning of year				
- As previously stated	225,092	273,141	266,349	328,375
- Transfers to collective assessment allowance	(92,829)	(132,557)	(108,383)	(148,952)
As restated	132,263	140,584	157,966	179,423
Allowance made during the year (net)	12,237	11,734	19,674	3,108
Amount written-off	(47,639)	(20,055)	(47,649)	(24,565)
Transfers to collective assessment allowance	(1,579)	-	(1,520)	-
At end of year	<u>95,282</u>	<u>132,263</u>	<u>128,471</u>	<u>157,966</u>
Collective assessment allowance				
At beginning of year				
- As previously stated	300,801	270,378	386,017	339,636
- Effect of change in accounting policy	(61,285)	(45,304)	(100,528)	(63,474)
Transfers from individual assessment allowance	92,829	132,557	108,383	148,952
As restated	332,345	357,631	393,872	425,114
(Write-back)/allowance made during the year (net)	(8,301)	16,672	8,034	27,627
Amount written-off	(29,789)	(41,958)	(54,223)	(58,869)
Transfers from individual assessment allowance	1,579	-	1,520	-
At end of year	<u>295,834</u>	<u>332,345</u>	<u>349,203</u>	<u>393,872</u>

(viii) Impaired loans analysed by economic purposes are as follows:

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Purchase of securities	3,741	4,085	4,586
Purchase of transport vehicles	2,011	2,733	2,605
Purchase of landed property	238,687	235,940	283,028
of which: - Residential	<u>186,289</u>	<u>173,008</u>	<u>213,477</u>
- Non-residential	<u>52,398</u>	<u>62,932</u>	<u>69,551</u>
Purchase of fixed assets excluding land and buildings	204	190	182
Personal use	20,176	20,156	28,836
Credit card	9,107	9,908	12,694
Construction	11,330	11,869	12,777
Working capital	157,559	214,981	239,853
Others	29,718	36,050	38,505
Gross impaired loans	<u>472,533</u>	<u>535,912</u>	<u>623,066</u>

10. LOANS, ADVANCES AND FINANCING (CONTD.)(viii) Impaired loans analysed by economic purposes are as follows (contd.):

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Purchase of securities	5,092	5,436	10,268
Purchase of transport vehicles	5,611	5,710	9,156
Purchase of landed property	282,371	266,682	301,869
of which: - Residential	213,718	191,394	224,680
- Non-residential	68,653	75,288	77,189
Purchase of fixed assets excluding land and buildings	204	190	182
Personal use	32,089	31,130	39,031
Credit card	9,107	9,908	12,694
Construction	11,330	11,870	12,777
Working capital	197,330	256,919	329,051
Others	36,099	41,391	60,453
Gross impaired loans	579,233	629,236	775,481

(ix) Impaired loans by geographical distribution:

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Northern region	86,889	113,654	88,737
Central region	307,875	316,587	396,821
Southern region	33,245	48,921	69,430
East Malaysia region	44,524	56,750	68,078
Gross impaired loans	472,533	535,912	623,066

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Northern region	112,029	139,407	108,540
Central region	379,755	378,774	524,880
Southern region	40,911	53,056	73,171
East Malaysia region	46,538	57,999	68,890
Gross impaired loans	579,233	629,236	775,481

11. OTHER ASSETS

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Other receivables, deposits and prepayment [Note (a)]	94,030	89,703	87,634
Amount due from holding company	122	358	5
Amount due from subsidiaries	819	2,891	22,039
Foreclosed properties	-	-	4,200
	<u>94,971</u>	<u>92,952</u>	<u>113,878</u>
Less:			
Allowance for other losses [Note (b)]	<u>(16,955)</u>	<u>(13,051)</u>	<u>(10,369)</u>
	<u>78,016</u>	<u>79,901</u>	<u>103,509</u>

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Other receivables, deposits and prepayment [Note (a)]	99,139	95,756	99,506
Trade receivables	1	2,475	2,149
Amount due from holding company	122	358	5
Foreclosed properties	-	-	4,200
	<u>99,262</u>	<u>98,589</u>	<u>105,860</u>
Less:			
Allowance for other losses [Note (b)]	<u>(23,760)</u>	<u>(20,790)</u>	<u>(18,852)</u>
	<u>75,502</u>	<u>77,799</u>	<u>87,008</u>

Note:

(a) Included in other receivables, deposits and prepayment is an amount of RM16,290,000 (31 March 2012: RM22,044,000; 1 April 2011: RM25,134,000) 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:

	<u>BANK</u>		<u>GROUP</u>	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
At beginning of year	13,051	10,369	20,790	18,852
Allowance net of write-back	3,904	2,682	2,970	1,938
At end of year	<u>16,955</u>	<u>13,051</u>	<u>23,760</u>	<u>20,790</u>

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

	31 March 2013 RM'000	<u>BANK</u> 31 March 2012 RM'000	1 April 2011 RM'000
Unquoted shares, at cost			
At beginning of year	801,664	801,664	801,664
Reclassified as subsidiary held for sale [Note]	(8,844)	-	-
At end of year	<u>792,820</u>	<u>801,664</u>	<u>801,664</u>

Note: The Bank had entered into an agreement to dispose 70% equity interest in Alliance Investment Management Berhad ("AIMB"). The proposed disposal, had been completed and AIMB ceased to be a subsidiary of the Bank with effect from 15 April 2013.

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

<u>Name</u>	<u>Principal activities</u>	<u>Effective equity interest</u>		
		31 March 2013 %	31 March 2012 %	1 April 2011 %
Alliance Direct Marketing Sdn. Bhd.	Dealing in sales and distribution of consumer and commercial banking products	100	100	100
AllianceGroup Nominees (Asing) Sdn. Bhd.	Nominee services	100	100	100
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100	100
Alliance Investment Management Berhad	Management of unit trusts funds, provision of fund management and investment advisory services	70	70	70
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	100	100	100
Alliance Islamic Bank Berhad	Islamic banking and the provision of related financial services	100	100	100
AllianceGroup Properties Sdn. Bhd.	Liquidated	-	-	100
<i>Subsidiaries of Alliance Investment Bank Berhad</i>				
AIBB Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100	100
AIBB Nominees (Asing) Sdn. Bhd.	Nominee services	100	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		
		31 March	31 March	1 April
		2013	2012	2011
		%	%	%
Subsidiaries of Alliance Investment Bank Berhad (contd.)				
Alliance Investment Futures Sdn. Bhd.	Dormant	100	100	100
Alliance Research Sdn. Bhd.	Investment advisory	100	100	100
KLCS Sdn. Bhd.	Dormant	100	100	100
Rothputra Nominees (Tempatan) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100	100
KLCS Asset Management Sdn. Bhd.	Liquidated	-	-	100
KLCity Unit Trust Berhad	Liquidated	-	-	94.94
KLCity Ventures Sdn. Bhd.	Liquidated	-	-	100

14. INVESTMENTS IN ASSOCIATES

	<u>BANK</u>		<u>GROUP</u>	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Unquoted shares				
At beginning of year	30,230	30,230	27,035	29,038
Disposal of an associate	(30,000)	-	(21,824)	-
Share of post acquisition profits	-	-	(4,714)	(2,003)
At the end of year	<u>230</u>	<u>30,230</u>	<u>497</u>	<u>27,035</u>

Represented by:

Share of net tangible assets	<u>497</u>	<u>27,035</u>
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Details of the associates, which are incorporated in Malaysia, are as follows:

<u>Name</u>	<u>Principal activities</u>	<u>Effective equity interest</u>		
		31 March 2013	31 March 2012	1 April 2011
Alliance Trustee Berhad	Trustee to unit trusts, funds and other corporate trusts	40%	40%	40%
AIA AFG Takaful Berhad	Offering and providing of Takaful products and services	-	30%	30%

14. INVESTMENTS IN ASSOCIATES (CONTD.)

The summarised financial information of the associates are as follows:

		<u>GROUP</u>	
	31 March	31 March	1 April
	2013	2012	2011
	RM'000	RM'000	RM'000
Assets and Liabilities			
Current assets	1,149	13,099	1,399
Non-current assets	120	78,882	99,753
Total assets	<u>1,269</u>	<u>91,981</u>	<u>101,152</u>
Current liabilities	20	2,260	4,685
Total liabilities	<u>20</u>	<u>2,260</u>	<u>4,685</u>
Results			
Revenue	22,789	9,827	1,234
Loss for the year	<u>(15,724)</u>	<u>(6,655)</u>	<u>(4,892)</u>

On 11 March 2013, the Bank has entered into a conditional Share Sale Agreement with American International Assurance Berhad for the disposal of its 30% equity interest in AIA AFG Takaful Berhad comprising 30,000,000 ordinary shares of RM1.00 each fully paid for a total cash consideration of RM45 million. Gain from the disposal is amounting to RM15 million and RM23.2 million for the Bank and the Group respectively.

15. PROPERTY, PLANT AND EQUIPMENT

<u>BANK</u> 31 March 2013	← Leasehold land →			<u>Buildings</u>	<u>Renovations</u>	<u>Office equipment and furniture</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<u>Freehold land</u>	<u>50 years or more</u>	<u>Less than 50 years</u>						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>COST</u>									
At beginning of year	1,953	12,037	1,850	42,241	108,385	64,670	110,412	1,741	343,289
Additions	-	-	-	-	11,932	2,524	6,256	-	20,712
Disposals	-	(364)	-	(111)	(531)	(505)	(326)	(377)	(2,214)
Written-off	-	-	-	-	(1,990)	(588)	(404)	(1)	(2,983)
At end of year	1,953	11,673	1,850	42,130	117,796	66,101	115,938	1,363	358,804
<u>ACCUMULATED DEPRECIATION</u>									
At beginning of year	-	2,560	834	11,136	84,638	48,956	101,761	440	250,325
Charge for the year	-	70	44	729	12,612	6,175	5,762	84	25,476
Disposals	-	(50)	-	(39)	(505)	(441)	(292)	(171)	(1,498)
Written-off	-	-	-	-	(1,504)	(564)	(404)	(1)	(2,473)
At end of year	-	2,580	878	11,826	95,241	54,126	106,827	352	271,830
<u>ACCUMULATED IMPAIRMENT</u>									
At beginning/end of year	-	-	-	5,268	-	-	-	-	5,268
NET CARRYING AMOUNT	1,953	9,093	972	25,036	22,555	11,975	9,111	1,011	81,706

15. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

<u>GROUP</u>	← Leasehold land →			<u>Buildings</u>	<u>Renovations</u>	<u>Office equipment and furniture</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<u>Freehold land</u>	<u>50 years or more</u>	<u>Less than 50 years</u>						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2013									
<u>COST</u>									
At beginning of year	1,953	12,037	1,850	43,200	115,378	68,605	128,191	2,280	373,494
Additions	-	-	-	-	12,073	2,559	6,274	-	20,906
Disposals	-	(364)	-	(111)	(531)	(542)	(326)	(1,458)	(3,332)
Written-off	-	-	-	-	(2,067)	(589)	(960)	(1)	(3,617)
Reclassified to non-current assets held for sale (Note 18)	-	-	-	-	(370)	(621)	(652)	-	(1,643)
At end of year	1,953	11,673	1,850	43,089	124,483	69,412	132,527	821	385,808
<u>ACCUMULATED DEPRECIATION</u>									
At beginning of year	-	2,560	834	12,096	90,438	52,333	119,486	701	278,448
Charge for the year	-	70	44	729	13,304	6,300	5,851	84	26,382
Disposals	-	(50)	-	(39)	(505)	(476)	(292)	(935)	(2,297)
Written-off	-	-	-	-	(1,581)	(564)	(960)	(1)	(3,106)
Reclassified to non-current assets held for sale (Note 18)	-	-	-	-	(370)	(615)	(650)	-	(1,635)
At end of year	-	2,580	878	12,786	101,286	56,978	123,435	(151)	297,792
<u>ACCUMULATED IMPAIRMENT</u>									
At beginning/end of year	-	-	-	5,268	-	-	-	-	5,268
<u>NET CARRYING AMOUNT</u>	1,953	9,093	972	25,035	23,197	12,434	9,092	972	82,748

15. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	← Leasehold land →					Office			
	Freehold	50 years	Less than	Buildings	Renovations	equipment	Computer	Motor	Total
	land	or more	50 years			and furniture	equipment	vehicles	
<u>BANK</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2012									
<u>COST</u>									
At beginning of year	2,962	12,567	1,850	49,384	102,516	58,875	118,459	1,873	348,486
Additions	-	-	-	-	8,447	6,718	5,976	458	21,599
Disposals	-	-	-	-	(51)	(381)	(24)	(585)	(1,041)
Written-off	-	-	-	-	(2,527)	(542)	(13,999)	(5)	(17,073)
Transfer	-	(530)	530	-	-	-	-	-	-
Reclassified to non-current assets held for sale (Note 18)	(1,009)	-	(530)	(7,143)	-	-	-	-	(8,682)
At end of year	1,953	12,037	1,850	42,241	108,385	64,670	110,412	1,741	343,289
<u>ACCUMULATED DEPRECIATION</u>									
At beginning of year	-	2,621	814	14,832	70,784	43,114	110,984	534	243,683
Charge for the year	-	110	27	846	14,528	6,618	4,787	175	27,091
Disposals	-	-	-	-	(38)	(350)	(23)	(264)	(675)
Written-off	-	-	-	-	(636)	(426)	(13,987)	(5)	(15,054)
Transfer	-	(171)	171	-	-	-	-	-	-
Reclassified to non-current assets held for sale (Note 18)	-	-	(178)	(4,542)	-	-	-	-	(4,720)
At end of year	-	2,560	834	11,136	84,638	48,956	101,761	440	250,325
<u>ACCUMULATED IMPAIRMENT</u>									
At beginning/end of year	-	-	-	3,956	-	-	-	-	3,956
Charge for the year (Note 35)	-	-	-	1,460	-	-	-	-	1,460
Reclassified to non-current assets held for sale (Note 18)	-	-	-	(148)	-	-	-	-	(148)
At end of year	-	-	-	5,268	-	-	-	-	5,268
NET CARRYING AMOUNT	1,953	9,477	1,016	25,837	23,747	15,714	8,651	1,301	87,696

15. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

<u>GROUP</u>	← Leasehold land →			<u>Buildings</u>	<u>Renovations</u>	<u>Office equipment and furniture</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<u>Freehold land</u>	<u>50 years or more</u>	<u>Less than 50 years</u>						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2012									
<u>COST</u>									
At beginning of year	2,962	12,567	1,850	50,343	112,613	65,170	137,454	2,412	385,371
Additions	-	-	-	-	8,820	6,886	6,020	458	22,184
Disposals	-	-	-	-	(51)	(409)	(97)	(585)	(1,142)
Written-off	-	-	-	-	(6,004)	(3,042)	(15,186)	(5)	(24,237)
Transfer	-	(530)	530	-	-	-	-	-	-
Reclassified to non-current assets held for sale (Note 18)	(1,009)	-	(530)	(7,143)	-	-	-	-	(8,682)
At end of year	1,953	12,037	1,850	43,200	115,378	68,605	128,191	2,280	373,494
<u>ACCUMULATED DEPRECIATION</u>									
At beginning of year	-	2,621	814	15,792	79,469	48,858	128,546	762	276,862
Charge for the year	-	110	27	846	15,096	6,773	6,211	208	29,271
Disposals	-	-	-	-	(38)	(376)	(96)	(264)	(774)
Written-off	-	-	-	-	(4,089)	(2,922)	(15,175)	(5)	(22,191)
Transfer	-	(171)	171	-	-	-	-	-	-
Reclassified to non-current assets held for sale (Note 18)	-	-	(178)	(4,542)	-	-	-	-	(4,720)
At end of year	-	2,560	834	12,096	90,438	52,333	119,486	701	278,448
<u>ACCUMULATED IMPAIRMENT</u>									
At beginning/end of year	-	-	-	3,956	-	-	-	-	3,956
Charge for the year (Note 35)	-	-	-	1,460	-	-	-	-	1,460
Reclassified to non-current assets held for sale (Note 18)	-	-	-	(148)	-	-	-	-	(148)
At end of year	-	-	-	5,268	-	-	-	-	5,268
NET CARRYING AMOUNT	1,953	9,477	1,016	25,836	24,940	16,272	8,705	1,579	89,778

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:

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Deferred tax assets, net	-	-	56,294
Deferred tax liabilities, net	(15,859)	(12,191)	-
	<u>(15,859)</u>	<u>(12,191)</u>	<u>56,294</u>

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Deferred tax assets, net	11,040	15,038	83,792
Deferred tax liabilities, net	(24,430)	(23,012)	(6,190)
	<u>(13,390)</u>	<u>(7,974)</u>	<u>77,602</u>

	<u>BANK</u>		<u>GROUP</u>	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
At beginning of year				
- As previously stated	(12,191)	75,272	(7,974)	102,016
- Effect of change in accounting policy	-	(18,978)	-	(24,414)
As restated	<u>(12,191)</u>	<u>56,294</u>	<u>(7,974)</u>	<u>77,602</u>
Recognised in statement of comprehensive income	(4,694)	(53,391)	(10,906)	(64,194)
Recognised in equity	1,026	(15,094)	5,791	(21,382)
Reclassified to non-current assets held for sale (Note 18)	-	-	(301)	-
At end of year	<u>(15,859)</u>	<u>(12,191)</u>	<u>(13,390)</u>	<u>(7,974)</u>

16. DEFERRED TAX (CONTD.)

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Deferred tax assets			
- to be recovered more than 12 months	-	-	27,009
- to be recovered within 12 months	-	-	29,285
	<u>-</u>	<u>-</u>	<u>56,294</u>
Deferred tax liabilities			
- to be recovered more than 12 months	(5,452)	1,818	-
- to be recovered within 12 months	(10,407)	(14,009)	-
	<u>(15,859)</u>	<u>(12,191)</u>	<u>-</u>
	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Deferred tax assets			
- to be recovered more than 12 months	12,981	14,098	51,030
- to be recovered within 12 months	(1,941)	940	32,762
	<u>11,040</u>	<u>15,038</u>	<u>83,792</u>
Deferred tax liabilities			
- to be recovered more than 12 months	(2,955)	2,182	627
- to be recovered within 12 months	(21,475)	(25,194)	(6,817)
	<u>(24,430)</u>	<u>(23,012)</u>	<u>(6,190)</u>

16. DEFERRED TAX (CONTD.)

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

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Deferred tax assets	28,762	31,208	86,265
Deferred tax liabilities	(44,621)	(43,399)	(29,971)
	<u>(15,859)</u>	<u>(12,191)</u>	<u>56,294</u>

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Deferred tax assets	41,705	50,769	116,988
Deferred tax liabilities	(55,095)	(58,743)	(39,386)
	<u>(13,390)</u>	<u>(7,974)</u>	<u>77,602</u>

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

	Allowance for losses on loans, advances and <u>financing</u> RM'000	Other temporary <u>differences</u> RM'000	<u>Total</u> RM'000
<u>BANK</u>			
<u>Deferred tax assets</u>			
At 1 April 2011			
- As previously stated	68,325	36,918	105,243
- Effect of change in accounting policy	(18,978)	-	(18,978)
As restated	49,347	36,918	86,265
Recognised in statement of comprehensive income	(41,011)	(14,046)	(55,057)
At 31 March 2012	8,336	22,872	31,208
Recognised in statement of comprehensive income	(8,336)	5,890	(2,446)
At 31 March 2013	<u>-</u>	<u>28,762</u>	<u>28,762</u>
	<u>Financial investments available-for-sale RM'000</u>	<u>Property, plant and equipment RM'000</u>	<u>Total RM'000</u>
<u>Deferred tax liabilities</u>			
At 1 April 2011	14,351	15,620	29,971
Recognised in statement of comprehensive income	-	(1,666)	(1,666)
Recognised in equity	15,094	-	15,094
At 31 March 2012	29,445	13,954	43,399
Recognised in statement of comprehensive income	-	2,248	2,248
Recognised in equity	(1,026)	-	(1,026)
At 31 March 2013	<u>28,419</u>	<u>16,202</u>	<u>44,621</u>

16. DEFERRED TAX (CONTD.)

<u>GROUP</u>	Allowance for losses on loans, advances and <u>financing</u> RM'000	Unabsorbed tax losses and capital <u>allowance</u> RM'000	Other temporary <u>differences</u> RM'000	<u>Total</u> RM'000
<u>Deferred tax assets</u>				
At 1 April 2011				
- As previously stated	85,638	4,233	51,531	141,402
- Effect of change in accounting policy	(24,414)	-	-	(24,414)
As restated	61,224	4,233	51,531	116,988
Recognised in statement of comprehensive income	(48,898)	(1,045)	(16,276)	(66,219)
At 31 March 2012	12,326	3,188	35,255	50,769
Recognised in statement of comprehensive income	(12,326)	(1,247)	4,828	(8,745)
Reclassified to non-current assets held for sale (Note 18)	-	-	(319)	(319)
At 31 March 2013	-	1,941	39,764	41,705
	Financial investments <u>available-for-sale</u> RM'000	Property, plant and <u>equipment</u> RM'000	<u>Total</u> RM'000	
<u>Deferred tax liabilities</u>				
At 1 April 2011		22,874	16,512	39,386
Recognised in statement of comprehensive income		-	(2,025)	(2,025)
Recognised in equity		21,382	-	21,382
At 31 March 2012		44,256	14,487	58,743
Recognised in statement of comprehensive income		-	2,161	2,161
Recognised in equity		(5,791)	-	(5,791)
Reclassified to non-current assets held for sale (Note 18)		-	(18)	(18)
At 31 March 2013		38,465	16,630	55,095
	31 March 2013 RM'000	<u>GROUP</u> 31 March 2012 RM'000		1 April 2011 RM'000
Deferred tax assets of the Group have not been recognised in respect of:				
Unabsorbed tax losses	-	-	5,775	

17. INTANGIBLE ASSETS

	<u>BANK</u>		<u>GROUP</u>	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
<u>Goodwill</u>				
Cost:				
At beginning of year	186,317	186,317	304,149	304,149
Reclassified to non-current assets held for sale (Note 18)	-	-	(2,107)	-
At end of year	<u>186,317</u>	<u>186,317</u>	<u>302,042</u>	<u>304,149</u>
Impairment:				
At beginning/end of year	(45)	(45)	(2,084)	(2,084)
Net carrying amount	<u>186,272</u>	<u>186,272</u>	<u>299,958</u>	<u>302,065</u>
<u>Computer software</u>				
Cost:				
At beginning of year	192,901	177,805	198,079	182,980
Additions	23,465	16,141	23,776	16,300
Disposal	(100)	-	(100)	-
Written off	(71)	(1,045)	(138)	(1,201)
Reclassified to non-current assets held for sale (Note 18)	-	-	(983)	-
At end of year	<u>216,195</u>	<u>192,901</u>	<u>220,634</u>	<u>198,079</u>
Accumulated amortisation:				
At beginning of year	(140,585)	(122,936)	(145,242)	(127,363)
Charge for the year	(20,091)	(17,853)	(20,334)	(18,239)
Disposal	100	-	100	-
Written off	70	204	137	360
Reclassified to non-current assets held for sale (Note 18)	-	-	915	-
At end of year	<u>(160,506)</u>	<u>(140,585)</u>	<u>(164,424)</u>	<u>(145,242)</u>
Net carrying amount	<u>55,689</u>	<u>52,316</u>	<u>56,210</u>	<u>52,837</u>
Total carrying amount of goodwill and computer software	<u>241,961</u>	<u>238,588</u>	<u>356,168</u>	<u>354,902</u>

17. INTANGIBLE ASSETS

(a) Impairment Test on Goodwill (Contd.)

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:

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Corporate banking	25,368	25,368	25,368
Commercial banking	13,459	13,459	13,459
Small and medium enterprise banking	42,621	42,621	42,621
Consumer banking	67,513	67,513	67,513
Financial markets	36,960	36,960	36,960
Corporate finance and equity capital market	40	40	40
Stock-broking business	266	266	266
Asset management	45	45	45
	<u>186,272</u>	<u>186,272</u>	<u>186,272</u>
	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Corporate banking	44,758	44,758	44,758
Commercial banking	13,459	13,459	13,459
Small and medium enterprise banking	42,621	42,621	42,621
Consumer banking	101,565	101,565	101,565
Financial markets	83,284	83,284	83,284
Corporate finance and equity capital market	1,838	1,838	1,838
Stock-broking business	12,433	12,433	12,433
Asset management	-	2,107	2,107
	<u>299,958</u>	<u>302,065</u>	<u>302,065</u>

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 10.11% - 19.46% (31 March 2012: 10.15% - 23.30%; 1 April 2011: 11.25% - 32.00%) 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.

17. INTANGIBLE ASSETS**(a) Impairment Test on Goodwill (Contd.)****(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 growth rate of 5.1% (31 March 2012: 4.7%; 1 April 2011: 6.5%) based on respective industry's average growth rate forecasted. 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. NON-CURRENT ASSETS/LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS AND SUBSIDIARY HELD FOR SALE**(a) Property, plant and equipment**

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Freehold land	-	1,009	-
Leasehold land	-	352	-
Buildings	-	2,453	-
	<u>-</u>	<u>3,814</u>	<u>-</u>
	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Freehold land	-	1,009	-
Leasehold land	-	352	-
Buildings	-	2,453	-
	<u>-</u>	<u>3,814</u>	<u>-</u>

18. NON-CURRENT ASSETS/LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS AND SUBSIDIARY HELD FOR SALE (CONTD.)

(b) Subsidiary held for sale

	31 March 2013 RM'000	<u>BANK</u> 31 March 2012 RM'000	1 April 2011 RM'000
ASSETS			
Cash and short-term funds	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-
Other assets	-	-	-
Tax recoverable	-	-	-
Investments in subsidiaries	8,844	-	-
Property, plant and equipment	-	-	-
Deferred tax assets	-	-	-
Computer software	-	-	-
Total assets of subsidiary held for sale	8,844	-	-
LIABILITIES			
Other liabilities	-	-	-
Total liabilities of subsidiary held for sale	-	-	-
	31 March 2013 RM'000	<u>GROUP</u> 31 March 2012 RM'000	1 April 2011 RM'000
ASSETS			
Cash and short-term funds	12,486	-	-
Deposits and placements with banks and other financial institutions	7,069	-	-
Other assets	12,802	-	-
Tax recoverable	338	-	-
Investments in subsidiaries	-	-	-
Property, plant and equipment	8	-	-
Deferred tax assets	301	-	-
Computer software	68	-	-
	33,072	-	-
Goodwill	2,107	-	-
Total assets of subsidiary held for sale	35,179	-	-
LIABILITIES			
Other liabilities	19,291	-	-
Total liabilities of subsidiary held for sale	19,291	-	-

The assets and liabilities of the above subsidiary held for sale is related to Alliance Investment Management Berhad ("AIMB"), a 70% owned subsidiary of the Bank. On 25 September 2012, the Bank had entered into an agreement to dispose 70% equity interest in AIMB for a total consideration of RM12,250,000. The proposed disposal, had been completed and AIMB ceased to be a subsidiary of the Bank with effect from 15 April 2013.

For the Group segment information, AIMB is reported under other business operations.

19. DEPOSITS FROM CUSTOMERS

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Demand deposits	8,776,633	7,581,985	6,611,320
Savings deposits	1,413,147	1,378,296	1,326,520
Fixed deposits	14,702,976	13,773,745	12,516,010
Money market deposits	3,324,683	2,922,394	2,377,219
Negotiable instruments of deposits	1,754,640	1,107,512	501,988
Structured deposits [Note]	144,558	194,971	85,811
	<u>30,116,637</u>	<u>26,958,903</u>	<u>23,418,868</u>

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Demand deposits	10,386,444	9,141,235	8,010,441
Savings deposits	1,712,779	1,700,686	1,633,845
Fixed/investment deposits	17,125,909	15,617,675	15,230,479
Money market deposits	4,681,008	4,147,702	3,083,251
Negotiable instruments of deposits	1,973,601	1,407,325	993,052
Structured deposits [Note]	144,558	194,971	85,811
	<u>36,024,299</u>	<u>32,209,594</u>	<u>29,036,879</u>

- (i) The maturity structure of fixed/investment deposits, money market deposits and negotiable instruments of deposits are as follows:

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Due within six months	15,821,917	13,985,773	11,251,070
Six months to one year	3,897,854	3,726,121	3,857,753
One year to three years	47,643	71,826	273,713
Three years to five years	14,885	19,931	12,681
	<u>19,782,299</u>	<u>17,803,651</u>	<u>15,395,217</u>

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Due within six months	19,182,840	16,545,876	14,534,345
Six months to one year	4,468,776	4,532,514	4,502,541
One year to three years	112,328	72,776	256,649
Three years to five years	16,574	21,536	13,247
	<u>23,780,518</u>	<u>21,172,702</u>	<u>19,306,782</u>

19. DEPOSITS FROM CUSTOMERS (CONTD.)

(ii) The deposits are sourced from the following types of customers:

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Domestic financial institutions	1,758,367	1,111,825	507,011
Government and statutory bodies	1,136,760	951,889	518,610
Business enterprises	10,712,081	9,349,112	8,471,286
Individuals	14,877,194	14,240,778	13,254,543
Others	1,632,235	1,305,299	667,418
	<u>30,116,637</u>	<u>26,958,903</u>	<u>23,418,868</u>
	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Domestic financial institutions	2,402,307	1,411,638	998,676
Government and statutory bodies	1,474,286	1,396,323	1,069,088
Business enterprises	12,934,165	11,868,424	10,762,527
Individuals	16,205,037	15,707,697	15,227,162
Others	3,008,504	1,825,512	979,426
	<u>36,024,299</u>	<u>32,209,594</u>	<u>29,036,879</u>

Note:

- (a) Structured deposits represent foreign currency time deposits with embedded foreign exchange, gold commodity and equity linked options and interest rate index linked placements.
- (b) The Bank and the Group has undertaken a fair value hedge on the interest rate risk of the structured deposits amounting to RM105,804,000 (31 March 2012: RM14,115,000; 1 April 2011: RM Nil) using interest rate swaps.

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Structured deposits	105,804	14,115	-
Fair value changes arising from fair value hedges	(1,748)	(423)	-
	<u>104,056</u>	<u>13,692</u>	<u>-</u>
	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Structured deposits	105,804	14,115	-
Fair value changes arising from fair value hedges	(1,748)	(423)	-
	<u>104,056</u>	<u>13,692</u>	<u>-</u>

The fair value loss of the interest rate swap in this hedge transaction as at financial year ended 31 March 2013 is RM1,748,000 (31 March 2012: RM423,000; 1 April 2011: RM Nil).

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Licensed banks	590,161	495,393	384,194
Licensed investment banks	150,837	-	150,228
Licensed Islamic banks	-	-	-
Bank Negara Malaysia	569,111	691,337	855,909
	<u>1,310,109</u>	<u>1,186,730</u>	<u>1,390,331</u>

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Licensed banks	790,228	976,450	744,993
Licensed investment banks	425,940	180,036	280,380
Licensed Islamic banks	150,342	245,468	6,000
Bank Negara Malaysia	643,486	759,051	920,827
	<u>2,009,996</u>	<u>2,161,005</u>	<u>1,952,200</u>

21. BALANCES DUE TO CLIENTS AND BROKERS

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Due to clients	30,852	20,626	40,704
Due to brokers	-	-	6,283
	<u>30,852</u>	<u>20,626</u>	<u>46,987</u>

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.

Following the issuance of FRSIC Consensus 18, the Group no longer recognises trust monies balances in the statement of financial position, as the Group does not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies. The trust monies maintained by the Group amounting to RM63,290,000 (31 March 12: RM54,289,000; 1 April 11: RM39,756,000) have been excluded accordingly.

22. BILLS AND ACCEPTANCES PAYABLE

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

23. 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.

24. OTHER LIABILITIES

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Other payables and accruals	736,927	704,243	663,533
Amount due to subsidiaries	14,032	16,576	-
	<u>750,959</u>	<u>720,819</u>	<u>663,533</u>
	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Other payables and accruals	801,004	845,558	785,944
Remisiers' accounts	21,108	21,230	24,373
Amount due to holding company	47	-	-
	<u>822,159</u>	<u>866,788</u>	<u>810,317</u>

25. SUBORDINATED OBLIGATIONS

		<u>BANK/GROUP</u>		
		31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Tier - 2 Subordinated bonds	(a)	-	-	600,000
Tier - 2 Subordinated Medium Term Notes	(b)	612,193	611,615	-
		<u>612,193</u>	<u>611,615</u>	<u>600,000</u>

(a) Tier - 2 Subordinated bonds

The main features of the subordinated bonds are as follows:

- (i) Issue date: 26 May 2006
- (ii) Tenor of the facility/issue: 10-year from the issue date on a non-callable 5 year basis
- (iii) Anniversary date: 26 May
- (iv) Maturity date: 26 May 2016
- (v) Interest coupon: 6.09% per annum, subject to revision of rate in year six
- (vi) 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
- (vii) 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
- (viii) Final redemption: At par on maturity date

The Bank has fully redeemed the subordinated bonds on 26 May 2011 upon obtaining approval from Bank Negara Malaysia.

(b) Tier - 2 Subordinated Medium Term Notes

		<u>BANK/GROUP</u>		
		31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
At cost		600,000	600,000	-
Accumulated unamortised discount		(1,672)	(2,171)	-
Interest accrued		13,865	13,786	-
		<u>612,193</u>	<u>611,615</u>	<u>-</u>

25. SUBORDINATED OBLIGATIONS (CONTD.)

(b) Tier - 2 Subordinated Medium Term Notes (Contd.)

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

The Subordinated MTN Programme was approved by Bank Negara Malaysia and the Securities Commission 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 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 a discount. The proceeds was used to redeem the RM600 million Subordinated Bonds of the Bank on 26 May 2011.

The main features of the Subordinated notes are as follows:

- (i) Issue date: 8 April 2011
- (ii) Tenor of the facility/issue: 10 years from the issue date and callable five (5) years after the issue date
- (iii) Maturity date: 8 April 2021
- (iv) Interest rate/coupon: 4.82% per annum, payable semi-annually in arrears
- (v) Redemption option: The issuer may, at its option, redeem the subordinated notes at any coupon payment date on or after five (5) years from the issue date
- (vi) The Subordinated Notes will constitute direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Notes, ranking pari passu among themselves.
- (vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Subordinated Notes.

26. SHARE CAPITAL

	<u>BANK/GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Authorised:			
4,995,000,000 ordinary shares of RM1 each	4,995,000	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
	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid:			
Ordinary shares:			
At 1 April/31 March			
596,517,043 ordinary shares of RM1 each	596,517	596,517	596,517
ICPS:			
At 1 April/31 March			
400,000,000 ICPS of RM0.01 each	4,000	4,000	4,000
	<u>600,517</u>	<u>600,517</u>	<u>600,517</u>

- (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.

27. RESERVES

		<u>BANK</u>		
	Note	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Non-distributable:				
Statutory reserve	(a)	601,561	601,561	601,561
Revaluation reserves	(c)	85,257	88,334	43,051
Equity contribution from parent	(d)	13,495	12,274	11,803
Share premium	(e)	597,517	597,517	597,517
		<u>1,297,830</u>	<u>1,299,686</u>	<u>1,253,932</u>
Distributable:				
Retained profits	(g)	1,641,549	1,397,888	1,205,162
		<u>2,939,379</u>	<u>2,697,574</u>	<u>2,459,094</u>
		<u>GROUP</u>		
	Note	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Non-distributable:				
Statutory reserve	(a)	885,744	842,167	786,406
Capital reserve	(b)	10,018	10,018	10,018
Revaluation reserves	(c)	115,397	132,769	68,620
Equity contribution from parent	(d)	14,368	13,733	13,544
Share premium	(e)	597,517	597,517	597,517
Profit equalisation reserve	(f)	1,033	1,033	1,033
		<u>1,624,077</u>	<u>1,597,237</u>	<u>1,477,138</u>
Distributable:				
Retained profits	(g)	1,749,256	1,517,252	1,267,463
		<u>3,373,333</u>	<u>3,114,489</u>	<u>2,744,601</u>

(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.

(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 relates to:

	<u>BANK/GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
- ordinary shares	201,517	201,517	201,517
- ICPS	396,000	396,000	396,000
	<u>597,517</u>	<u>597,517</u>	<u>597,517</u>

27. RESERVES (CONTD.)

- (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 2013 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 31 March 2013, the Bank has sufficient credits in the Section 108 balance to pay franked dividends of RM682,364,000 (31 March 2012: RM927,980,000; 1 April 2011: RM1,112,304,000) and sufficient tax exempt account balances of RM1,742,000 (31 March 2012: RM1,189,000; 1 April 2011: RM21,031,000) to pay tax exempt dividends.

28. 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.

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

(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 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.

28. 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:

<u>BANK</u> 2013	Share Options					Share Grants				
	Number of Share Options					Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Vested/ exercise '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
2009 Share Scheme	3,351	-	-	(3,351)	-	-	-	-	-	-
2010 Share Scheme	3,972	-	(3,100)	(872)	-	611	-	(562)	(49)	-
2011 Share Scheme	4,613	-	-	(875)	3,738	1,247	-	(567)	(175)	505
2012 Share Scheme	8,022	-	(5)	(1,324)	6,693	1,745	-	(4)	(295)	1,446
2013 Share Scheme (1st grant)	-	12,075	-	(778)	11,297	-	1,574	-	(124)	1,450
2013 Share Scheme (2nd grant)	-	825	-	-	825	-	58	-	-	58
	19,958	12,900	(3,105)	(7,200)	22,553	3,603	1,632	(1,133)	(643)	3,459
WAEP	3.09	4.22	2.38	3.04	3.85					

2012	Share Options					Share Grants				
	Number of Share Options					Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Vested/ exercise '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	3,447	-	-	(3,447)	-	-	-	-	-	-
2009 Share Scheme	4,392	-	-	(1,041)	3,351	608	-	(550)	(58)	-
2010 Share Scheme	5,191	-	-	(1,219)	3,972	1,538	-	(701)	(226)	611
2011 Share Scheme	5,812	-	-	(1,199)	4,613	1,574	-	-	(327)	1,247
2012 Share Scheme	-	8,720	-	(698)	8,022	-	1,923	-	(178)	1,745
	18,842	8,720	-	(7,604)	19,958	3,720	1,923	(1,251)	(789)	3,603
WAEP	2.82	3.58	-	2.97	3.09					

28. 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 (contd.):

<u>GROUP</u> 2013	Share Options					Share Grants				
	Number of Share Options					Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Vested/ exercise '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
2009 Share Scheme	3,919	-	-	(3,919)	-	-	-	-	-	-
2010 Share Scheme	4,369	-	(3,421)	(948)	-	668	-	(616)	(52)	-
2011 Share Scheme	5,081	-	(37)	(1,112)	3,932	1,371	-	(634)	(202)	535
2012 Share Scheme	8,780	-	(29)	(1,448)	7,303	1,898	-	(24)	(320)	1,554
2013 Share Scheme (1st grant)	-	12,721	(8)	(752)	11,961	-	1,672	(14)	(111)	1,547
2013 Share Scheme (2nd grant)	-	1,050	-	-	1,050	-	74	-	-	74
	22,149	13,771	(3,495)	(8,179)	24,246	3,937	1,746	(1,288)	(685)	3,710
WAEP	3.09	4.22	2.40	3.02	3.85					

2012	Share Options					Share Grants				
	Number of Share Options					Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Vested/ exercise '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	4,130	-	-	(4,130)	-	-	-	-	-	-
2009 Share Scheme	5,137	-	-	(1,218)	3,919	702	-	(634)	(68)	-
2010 Share Scheme	5,923	-	-	(1,554)	4,369	1,729	-	(773)	(288)	668
2011 Share Scheme	6,533	-	-	(1,452)	5,081	1,753	-	-	(382)	1,371
2012 Share Scheme	-	9,545	-	(765)	8,780	-	2,089	-	(191)	1,898
	21,723	9,545	-	(9,119)	22,149	4,184	2,089	(1,407)	(929)	3,937
WAEP	2.82	3.58	-	2.96	3.09					

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

	<u>WAEP</u> RM	<u>Exercise Period</u>
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	3.15	23.09.2013 - 22.09.2017
2012 Share Options	3.58	22.07.2014 - 21.07.2017
2013 Share Options (1st grant)	4.22	06.07.2015 - 05.07.2017
2013 Share Options (2nd grant)	4.25	31.01.2016 - 30.01.2017

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

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

		<u>Vesting Dates</u>
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
2012 Share Grants	- First 50% of the share grants	22.07.2013
	- Second 50% of the share grants	22.07.2014
2013 Share Grants (1st grant)	- First 50% of the share grants	06.07.2014
	- Second 50% of the share grants	06.07.2015
2013 Share Grants (2nd grant)	- First 50% of the share grants	31.01.2015
	- Second 50% of the share grants	31.01.2016

Note:

- (i) 2009 Share Option had since lapsed and all shares were forfeited due to performance measures were not meet during the extended grace period.
- (ii) 2010 Share Option was vested as the Group has met the performance targets.
- (iii) 2009 and 2010 Share Grants were fully vested in accordance with the stipulated terms.

(b) Allocation of shares options/grants to Executive Directors and senior management of the Group:

- (i) The aggregate maximum allocation of shares options/grants to Executive Directors and senior management of the Group during the financial year and since commencement of the ESS is 50% of shares available under the ESS.
- (ii) The actual percentage granted to Executive Directors and senior management of the total number of shares options/grants offered are as follows:

	<u>Percentage</u>
<i>Since commencement of the ESS</i>	
2009 Share Scheme	48.7%
2010 Share Scheme	48.5%
2011 Share Scheme	43.5%
2012 Share Scheme	48.8%
<i>During the financial year</i>	
2013 Share Scheme	39.8%

28. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME (CONTD.)**(c) 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					
	2009	2010	2011	2012	2013 (1st grant)	2013 (2nd grant)
Fair value of the shares as at grant date,						
- 2 September 2008 (RM)	0.7040	-	-	-	-	-
- 25 August 2009 (RM)	-	0.7489	-	-	-	-
- 23 September 2010 (RM)	-	-	0.8980	-	-	-
- 22 July 2011 (RM)	-	-	-	0.8790	-	-
- 06 July 2012 (RM)	-	-	-	-	0.6900	-
- 31 January 2013 (RM)	-	-	-	-	-	0.6000
Weighted average share price (RM)	2.6600	2.4000	3.1300	3.7200	4.2200	4.2500
Weighted average exercise price (RM)	2.6989	2.3784	3.1480	3.5800	4.2200	4.2500
Expected volatility (%)	0.2709	0.3403	0.3115	0.2977	0.2345	0.2019
Expected life (years)	7	7	7	6	5	4
Risk free rate (%)	3.79 to 5.22	2.04 to 4.61	2.92 to 4.04	2.93 to 4.18	2.96 to 3.97	2.99 to 3.90
Expected dividend yield (%)	1.78	1.78	1.78	3.08	3.46	3.51

	Share Grants					
	2009	2010	2011	2012	2013 (1st grant)	2013 (2nd grant)
Fair value of the shares as at grant date,						
- 2 September 2008 (RM)	2.5432	-	-	-	-	-
- 25 August 2009 (RM)	-	2.2941	-	-	-	-
- 23 September 2010 (RM)	-	-	2.9930	-	-	-
- 22 July 2011 (RM)	-	-	-	3.4405	-	-
- 06 July 2012 (RM)	-	-	-	-	3.8000	-
- 31 January 2013 (RM)	-	-	-	-	-	3.8200
Weighted average share price (RM)	2.6600	2.4000	3.1300	3.7200	4.2200	4.2500
Expected volatility (%)	0.2709	0.3403	0.3115	0.2977	0.2345	0.2019
Risk free rate (%)	3.79 to 5.22	2.04 to 4.61	2.92 to 4.04	2.93 to 4.18	2.96 to 3.97	2.99 to 3.90
Expected dividend yield (%)	1.78	1.78	1.78	3.08	3.46	3.51

The expected life of the share options is based on the exercisable 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.

29. INTEREST INCOME

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	996,798	866,705	1,033,185	901,937
Money at call and deposit placements with financial institutions	12,586	67,610	7,507	41,759
Financial assets held-for-trading	2,755	3,798	2,755	3,862
Financial investments available-for-sale	229,222	208,528	245,750	253,237
Financial investments held-to-maturity	5,666	17,063	12,527	22,751
Others	1,427	3,375	1,430	3,375
	<u>1,248,454</u>	<u>1,167,079</u>	<u>1,303,154</u>	<u>1,226,921</u>
Accretion of discount less amortisation of premium	113,139	90,058	125,996	94,369
	<u>1,361,593</u>	<u>1,257,137</u>	<u>1,429,150</u>	<u>1,321,290</u>

30. INTEREST EXPENSE

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	38,463	27,905	54,668	33,640
Deposits from customers	587,845	549,554	613,012	578,114
Loans sold to Cagamas	-	2,908	-	2,908
Subordinated obligations	29,419	34,513	29,419	34,513
Others	3,729	3,727	3,831	3,814
	<u>659,456</u>	<u>618,607</u>	<u>700,930</u>	<u>652,989</u>

31. NET INCOME FROM ISLAMIC BANKING BUSINESS

	<u>GROUP</u>	
	2013	2012
	RM'000	RM'000
Income derived from investment of depositors' funds and others	326,733	336,497
Income derived from investment of Islamic Banking funds	33,150	32,152
Income attributable to the depositors and financial institutions	<u>(147,661)</u>	<u>(139,025)</u>
	212,222	229,624
Add: Income due to head office eliminated at Group level	<u>29,936</u>	<u>27,404</u>
	<u>242,158</u>	<u>257,028</u>

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.

32. OTHER OPERATING INCOME

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee income:</u>				
Commissions	75,226	55,148	75,740	55,160
Service charges and fees	29,051	29,090	30,561	30,546
Portfolio management fees	-	-	6,557	6,994
Corporate advisory fees	-	-	4,378	6,073
Underwriting commissions	-	-	705	990
Brokerage fees	-	-	10,019	14,499
Guarantee fees	9,096	8,502	9,209	8,764
Processing fees	5,700	8,910	6,850	10,817
Commitment fees	14,707	14,376	14,731	14,376
Other fee income	16,231	27,612	16,216	28,518
	<u>150,011</u>	<u>143,638</u>	<u>174,966</u>	<u>176,737</u>
(b) <u>Investment income:</u>				
Gain arising from sale/redemption of:				
- Financial assets held-for-trading	704	3,568	704	3,699
- Financial investments held-to-maturity	6,858	16,831	7,771	16,831
- Financial investments available-for-sale	52,451	43,050	61,526	47,408
Unrealised gain/(loss) from revaluation of:				
- Financial assets held-for-trading	33	(149)	46	(185)
- Derivative instruments	5,407	1,572	5,407	1,572
Realised gain on derivative instruments	37,361	37,444	37,361	37,444
Gross dividend income from:				
- Financial investments available-for-sale	3,003	9,544	3,739	10,229
- Subsidiaries	74,648	34,732	-	-
	<u>180,465</u>	<u>146,592</u>	<u>116,554</u>	<u>116,998</u>
(c) <u>Other income:</u>				
Foreign exchange gain	18,616	7,745	18,871	7,977
Rental income	396	313	-	-
Gain on disposal of property, plant and equipment	557	306	472	309
Gain on disposal of non-current assets held for sale	7,556	-	7,556	-
Loss on disposal of foreclosed properties	-	-	-	(20)
Gain from disposal of an associate	15,000	-	23,176	-
Others	18,133	17,960	18,807	18,275
	<u>60,258</u>	<u>26,324</u>	<u>68,882</u>	<u>26,541</u>
Total other operating income	<u>390,734</u>	<u>316,554</u>	<u>360,402</u>	<u>320,276</u>

33. OTHER OPERATING EXPENSES

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	228,865	207,960	316,901	288,670
- Contribution to EPF	37,411	34,519	51,371	47,543
- Share options/grants under ESS	7,741	5,955	8,221	6,494
- Others	29,820	22,338	40,966	32,898
	<u>303,837</u>	<u>270,772</u>	<u>417,459</u>	<u>375,605</u>
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	25,476	27,091	26,382	29,271
- Amortisation of computer software	20,091	17,853	20,334	18,239
- Rental of premises	21,059	20,279	28,584	27,352
- Water and electricity	5,258	5,324	7,274	6,126
- Repairs and maintenance	8,187	6,795	10,915	9,611
- Information technology expenses	29,667	24,485	41,293	33,251
- Others	162	6,011	11,653	20,007
	<u>109,900</u>	<u>107,838</u>	<u>146,435</u>	<u>143,857</u>
<u>Marketing expenses</u>				
- Promotion and advertisement	10,182	8,148	12,039	11,178
- Branding and publicity	5,189	4,739	5,382	4,756
- Others	3,865	3,573	5,112	4,690
	<u>19,236</u>	<u>16,460</u>	<u>22,533</u>	<u>20,624</u>
<u>Administration and general expenses</u>				
- Communication expenses	9,585	9,677	12,853	13,124
- Printing and stationery	2,731	2,521	3,655	3,753
- Insurance	7,273	5,765	8,219	5,926
- Professional fees	12,067	9,986	15,860	13,588
- Others	8,618	6,293	9,928	12,344
	<u>40,274</u>	<u>34,242</u>	<u>50,515</u>	<u>48,735</u>
Total other operating expenses	<u>473,247</u>	<u>429,312</u>	<u>636,942</u>	<u>588,821</u>

Included in the other operating expenses are the following:

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- statutory audit fees	607	542	954	832
- audit related fees	482	276	759	452
- tax compliance fees	42	40	112	106
- tax related services	10	-	17	13
Hire of equipment	3,790	3,954	3,954	3,958
Property, plant and equipment written-off	510	2,019	511	2,046
Computer software written-off	1	841	1	841

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

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Allowance for/(write-back of) losses on loans, advances and financing:				
(a) Individual assessment allowance				
- Made during the year (net)	12,237	11,734	19,674	3,108
(b) Collective assessment allowance				
- (Write-back)/made during the year (net)	(8,301)	16,672	8,034	27,627
(c) Bad debts on loans and financing				
- Recovered	(63,147)	(39,384)	(78,360)	(65,590)
- Written-off	13,859	19,686	21,660	30,371
	<u>(45,352)</u>	<u>8,708</u>	<u>(28,992)</u>	<u>(4,484)</u>
Write-back of commitment and contingencies	-	(1,482)	(197)	(4,210)
Allowance for other assets	4,304	5,436	4,422	5,641
	<u>(41,048)</u>	<u>12,662</u>	<u>(24,767)</u>	<u>(3,053)</u>

35. WRITE-BACK OF IMPAIRMENT

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Write-back of impairment on securities:				
- Financial investments available-for-sale	-	(16,303)	(474)	(22,759)
- Financial investments held-to-maturity	-	(344)	-	(344)
Allowance for impairment on property, plant and equipment	-	1,460	-	1,460
	<u>-</u>	<u>(15,187)</u>	<u>(474)</u>	<u>(21,643)</u>

36. TAXATION AND ZAKAT

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Income tax provision for current year	156,990	161,355	177,170	205,936
Deferred tax	(4,779)	(27,091)	(2,715)	(33,887)
	<u>152,211</u>	<u>134,264</u>	<u>174,455</u>	<u>172,049</u>
Under/(over) provision in prior years	1,282	(693)	998	(295)
	<u>153,493</u>	<u>133,571</u>	<u>175,453</u>	<u>171,754</u>
Zakat	-	-	174	113
	<u>153,493</u>	<u>133,571</u>	<u>175,627</u>	<u>171,867</u>

Income tax is calculated at the Malaysian statutory tax rate of 25% (31 March 2012: 25%; 1 April 2011: 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:

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	<u>660,672</u>	<u>528,297</u>	<u>714,365</u>	<u>679,477</u>
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	165,168	132,074	178,591	169,869
Effect of income not subject to tax	(13,690)	(2,618)	(6,731)	(2,752)
Effect of expenses not deductible for tax purposes	733	4,808	2,595	6,058
Unabsorbed tax losses which deferred tax recognised during the year	-	-	-	(1,126)
Under/(over) provision in prior years	<u>1,282</u>	<u>(693)</u>	<u>998</u>	<u>(295)</u>
Tax expense for the year	<u>153,493</u>	<u>133,571</u>	<u>175,453</u>	<u>171,754</u>

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Tax savings during the year arising from:				
- utilisation of tax losses brought forward from previous year	<u>-</u>	<u>-</u>	<u>1,232</u>	<u>2,173</u>

37. EARNINGS PER SHARE**(a) Basic**

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

	<u>GROUP</u>	
	2013 RM'000	2012 RM'000
Profit for the year attributable to owner of the parent	<u>538,659</u>	<u>507,126</u>
	2013 '000	2012 '000
Weighted average numbers of ordinary shares in issue	<u>596,517</u>	<u>596,517</u>
	2013 sen	2012 sen
Basic earnings per share	<u>90</u>	<u>85</u>

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to owner of the parent 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").

	<u>GROUP</u>	
	2013 RM'000	2012 RM'000
Profit for the year attributable to owner of the parent	<u>538,659</u>	<u>507,126</u>
	2013 '000	2012 '000
Weighted average numbers of ordinary shares in issue	596,517	596,517
Effect of dilution:		
ICPS	<u>200,000</u>	<u>200,000</u>
	<u>796,517</u>	<u>796,517</u>
	2013 sen	2012 sen
Diluted earnings per share	<u>68</u>	<u>64</u>

38. DIVIDENDS

(a) Dividends on Ordinary Shares:

	<u>Recognised during the year</u>	
	2013 RM'000	2012 RM'000
<u>Final</u>		
22.3 sen less 25% taxation on 596,517,043 ordinary shares, declared in financial year ended 31 March 2011, and paid on 26 July 2011	-	99,767
<u>Interim</u>		
18.9 sen less 25% taxation on 596,517,043 ordinary shares, declared in financial year ended 31 March 2012, and paid on 24 November 2011	-	84,556
<u>Final</u>		
28.7 sen less 25% taxation on 596,517,043 ordinary shares, declared in financial year ended 31 March 2012, was paid on 20 July 2012	128,400	-
<u>Interim</u>		
26.2 sen less 25% taxation on 596,517,043 ordinary shares, declared in financial year ended 31 March 2013, was paid on 27 November 2012	117,216	-
	<u>245,616</u>	<u>184,323</u>

A final dividend of 37.4 sen, less 25% taxation on 596,517,043 ordinary shares amounting to approximately RM167,323,000 (gross dividend: RM223,097,000) 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 2014.

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

	<u>Net dividends per Ordinary Share</u>	
	2013 Sen	2012 Sen
Proposed:		
Final dividend of 37.4 sen less 25% tax	28.05	-
Final dividend of 28.7 sen less 25% tax	-	21.52
Paid:		
Interim dividend of 26.2 sen less 25% tax	19.65	-
Interim dividend of 18.9 sen less 25% tax	-	14.17
	<u>47.70</u>	<u>35.69</u>

38. DIVIDENDS (CONTD.)

(b) Dividends on Preference Shares:

	<u>Recognised during the year</u>		<u>Net dividends per Preference Share</u>	
	2013 RM'000	2012 RM'000	2013 Sen	2012 Sen
<u>Final</u>				
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 2012, and paid on 24 November 2011	-	20,000	-	5.00
<u>Final</u>				
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 2013, and paid on 27 November 2012	20,000	-	5.00	-

39. 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:

	<u>BANK</u>		<u>GROUP</u>	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(a) <u>Transactions</u>				
Interest income				
- subsidiaries	(30,802)	(36,052)	-	-
- key management personnel	(92)	(33)	(202)	(98)
Dividend income				
- subsidiaries	(74,648)	(34,732)	-	-
Management fees				
- holding company	(348)	(348)	(348)	(348)
- subsidiaries	(6,067)	(5,945)	-	-
Rental income				
- subsidiaries	(396)	(468)	-	-
Other operating expenses recharged				
- subsidiaries	(101,248)	(97,564)	-	-
Other income				
- subsidiaries	(597)	(633)	-	-
Commission paid				
- subsidiaries	(31,182)	(36,153)	-	-

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

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
(a) <u>Transactions (contd.)</u>				
Interest expenses				
- holding company	-	10,554	2,026	12,869
- subsidiaries	3	53	-	-
- an associate	38	36	55	39
- key management personnel	70	193	145	1,079
Management fees paid				
- a substantial shareholder of holding company	-	-	853	903
Other operating expenses				
- holding company	2,578	1,763	3,178	2,335
- subsidiary	-	824	-	-
- an associate	-	-	-	-
- related companies	-	-	-	-
Dividend paid				
- holding company	<u>347,488</u>	<u>204,323</u>	<u>347,488</u>	<u>204,323</u>

(b) Balances

	<u>BANK</u>		
	31 March	31 March	1 April
	2013	2012	2011
	RM'000	RM'000	RM'000
Amount due to			
Deposits from customers			
- holding company	(7)	(334)	(606,215)
- subsidiaries	(41,811)	(90,017)	(122,119)
- related companies	(248)	(12)	(12)
- an associate	(1,149)	(1,129)	(1,184)
- key management personnel	(4,562)	(9,117)	(8,152)
Financial investments available-for-sale			
- subsidiaries	749,402	739,649	-
Loans, advances and financing			
- key management personnel	4,022	3,679	14
Overdraft			
- key management personnel	80	-	-
Money at call and deposit placements with financial institutions			
- subsidiaries	195,821	124,454	1,084,956
Other assets			
- holding company	122	358	5
- subsidiaries	808	2,891	22,040
- related companies	11	-	-
Other liabilities			
- subsidiaries	<u>(14,032)</u>	<u>-</u>	<u>-</u>

39. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)**(b) Balances (contd.)**

	31 March 2013 RM'000	<u>GROUP</u> 31 March 2012 RM'000	1 April 2011 RM'000
Amount due to			
Deposits from customers			
- holding company	(18,823)	(21,541)	(650,738)
- related companies	(12)	(12)	(12)
- an associate	(1,149)	(2,750)	(1,184)
- key management personnel	(8,088)	(14,498)	(40,825)
Loans, advances and financing			
- key management personnel	7,808	4,434	322
Overdraft			
- key management personnel	80	3,168	89
Other assets			
- holding company	121	358	5
Other liabilities			
- holding company	(47)	-	-

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.

39. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)**(c) Compensation of key management personnel**

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

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits				
- Fees	645	597	1,445	1,458
- Salary and other remuneration, including meeting allowances	9,629	8,783	11,610	11,151
- Contribution to EPF	1,187	1,162	1,442	1,461
- Share options/grants under ESS	1,727	1,033	1,891	1,230
Benefits-in-kind	72	77	81	87
	<u>13,260</u>	<u>11,652</u>	<u>16,469</u>	<u>15,387</u>

Included in the total key management personnel are:

Directors' remuneration (Note 41)	<u>8,021</u>	<u>6,512</u>	<u>11,230</u>	<u>10,247</u>
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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:

	<u>Share Options</u>		<u>Share Grants</u>	
	2013	2012	2013	2012
	'000	'000	'000	'000
<u>BANK</u>				
At beginning of year	3,048	1,914	428	257
Directors/key management personnel appointed during the year	410	-	39	-
Offered/awarded	2,698	2,048	235	279
Vested	(86)	-	(69)	(40)
Lapsed	(471)	(914)	(39)	(68)
At end of year	<u>5,599</u>	<u>3,048</u>	<u>594</u>	<u>428</u>

	<u>Share Options</u>		<u>Share Grants</u>	
	2013	2012	2013	2012
	'000	'000	'000	'000
<u>GROUP</u>				
At beginning of year	3,789	2,774	504	351
Directors/key management personnel appointed during the year	560	68	49	7
Offered/awarded	2,869	2,398	252	327
Vested	(182)	-	(87)	(61)
Lapsed	(837)	(1,451)	(59)	(120)
At end of year	<u>6,199</u>	<u>3,789</u>	<u>659</u>	<u>504</u>

The above share options/grants were offered/awarded on the same terms and conditions as those offered to other employees of AFG Berhad Group (Note 28).

40. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	31 March 2013 RM'000	<u>BANK</u> 31 March 2012 RM'000	1 April 2011 RM'000
Outstanding credit exposures with connected parties	<u>104,884</u>	<u>163,733</u>	<u>160,950</u>
of which:			
Total credit exposure which is impaired or in default	<u>206</u>	<u>25</u>	<u>112</u>
Total credit exposures	<u>33,348,845</u>	<u>30,749,081</u>	<u>27,064,770</u>
Percentage of outstanding credit exposures to connected parties			
- as a proportion of total credit exposures	<u>0.31%</u>	<u>0.53%</u>	<u>0.59%</u>
- which is impaired or in default	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

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.

41. 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:

	<u>BANK</u>		<u>GROUP</u>	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Chief Executive Officers:				
- Salary and other remuneration	2,023	1,528	3,555	3,047
- Bonuses	2,650	2,450	2,800	3,010
- Contribution to EPF	746	612	1,001	911
- Share options/grants under ESS	1,331	733	1,495	930
- Benefits-in-kind	44	46	53	56
	6,794	5,369	8,904	7,954
Non-executive Directors:				
- Fees	645	597	1,445	1,458
- Allowances	558	522	857	811
- Benefits-in-kind	24	24	24	24
	1,227	1,143	2,326	2,293
	8,021	6,512	11,230	10,247
Past Directors:				
- Salary and other remuneration, including meeting allowance	4	93	863	182
- Fees	3	73	21	108
- Contribution to EPF	-	-	35	10
- Share options/grants under ESS	-	-	15	-
- Benefits-in-kind	-	-	1	-
	7	166	935	300
	8,028	6,678	12,165	10,547
Total Directors' remuneration excluding benefits-in-kind	7,960	6,608	12,087	10,467

	2013		2012	
	Executive Directors/ CEO	Non- Executive Directors	Executive Directors/ CEO	Non- Executive Directors
<u>Directors of the Bank</u>				
Below RM50,000	-	1	-	1
RM50,001 - RM100,000	-	1	-	-
RM100,001 - RM150,000	-	4	-	4
RM150,001 - RM200,000	-	1	-	1
RM200,001 - RM250,000	-	2	-	2
RM250,001 - RM300,000	-	-	-	-
RM300,001 - RM350,000	-	-	-	-
RM350,001 - RM400,000	-	-	-	-
RM400,001 - RM450,000	-	-	-	-
Above RM450,000	1	-	1	-

41. CEOs AND DIRECTORS' REMUNERATION (CONTD.)

	2013		2012	
	Executive Directors/ CEO	Non- Executive Directors	Executive Directors/ CEO	Non- Executive Directors
<u>Directors of the Group</u>				
Below RM50,000	-	1	-	-
RM50,001 - RM100,000	-	-	-	-
RM100,001 - RM150,000	-	6	-	6
RM150,001 - RM200,000	-	-	-	-
RM200,001 - RM250,000	-	1	-	1
RM250,001 - RM300,000	-	1	-	1
RM300,001 - RM350,000	-	1	1	1
RM350,001 - RM400,000	1	1	-	1
RM400,001 - RM450,000	-	1	-	1
Above RM450,000	4	-	3	-

42. MATERIAL LITIGATIONS

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 abovementioned 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 RM115.5 million (of which the Bank's exposure will be approximately RM32 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 has filed an appeal against the said decision. The High Court on 24 June 2009 granted the agent bank a stay of execution of the judgment pending disposal of its appeal at the Court of Appeal.

Prior to the hearing at the Court of Appeal, the advice from the agent bank's solicitors is that there is a better than even chance of succeeding in the said appeal.

On 23 January 2013, after hearing all parties the Court of Appeal have reserved its decision to a date to be notified by the Court.

43. 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 risk of financial loss resulting from the failure of the Bank's borrowers or counterparties to fulfil their contractual obligations to repay their loans or settle financial commitments. 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 loans, advances and financing accounts according to their respective risk profiles.

Secondary credit exposure arises 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 47 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 Bank and 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 maximum exposure to credit risk equals their carrying amount. For financial guarantees and similar contracts granted, the maximum exposure to credit risk is the maximum amount that would have to be paid if the guarantees were to be called upon. For credit related commitments and contingencies that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the credit facilities granted to customers.

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(i) Maximum exposure to credit risk (contd.)**

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Credit risk exposure of on-balance sheet:			
Cash and short-term funds (exclude cash in hand)	1,123,142	1,539,052	779,323
Deposits and placements with banks and other financial institutions	124,946	143,461	954,610
Financial assets held-for-trading	1,265,298	1,342,302	1,176,190
Financial investments available-for-sale (exclude equity securities)	8,328,534	7,325,003	6,247,376
Financial investments held-to-maturity	101,717	228,622	633,521
Derivative financial assets	19,792	23,712	32,047
Loans, advances and financing	22,864,400	19,774,598	17,756,632
Total on-balance sheet	<u>33,827,829</u>	<u>30,376,750</u>	<u>27,579,699</u>
Credit risk exposure of off-balance sheet:			
Financial guarantees	425,521	394,908	393,864
Credit related commitments and contingencies	10,667,473	11,112,013	9,407,853
Total off-balance sheet	<u>11,092,994</u>	<u>11,506,921</u>	<u>9,801,717</u>
Total maximum exposure	<u>44,920,823</u>	<u>41,883,671</u>	<u>37,381,416</u>

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Credit risk exposure of on-balance sheet:			
Cash and short-term funds (exclude cash in hand)	1,044,219	1,684,754	701,893
Deposits and placements with banks and other financial institutions	153,236	93,438	100,228
Balances due from clients and brokers	50,122	61,764	80,543
Financial assets held-for-trading	1,519,930	1,491,995	1,938,250
Financial investments available-for-sale (exclude equity securities)	10,225,058	8,983,101	9,138,478
Financial investments held-to-maturity	596,949	795,256	940,726
Derivative financial assets	19,792	23,712	32,047
Loans, advances and financing	27,747,806	24,460,309	21,868,981
Total on-balance sheet	<u>41,357,112</u>	<u>37,594,329</u>	<u>34,801,146</u>
Credit risk exposure of off-balance sheet:			
Financial guarantees	500,258	463,962	453,370
Credit related commitments and contingencies	12,330,197	13,009,027	10,499,031
Total off-balance sheet	<u>12,830,455</u>	<u>13,472,989</u>	<u>10,952,401</u>
Total maximum exposure	<u>54,187,567</u>	<u>51,067,318</u>	<u>45,753,547</u>

43. 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 counterparty is engaged.

	Government and Central <u>Bank</u>	Financial, Insurance and Business <u>Services</u>	Transport, Storage and Communication <u>Services</u>	Agriculture, Manufacturing, Wholesale & <u>Retail Trade</u>	<u>Construction</u>	Residential <u>Mortgage</u>	Motor Vehicle <u>Financing</u>	Other Consumer <u>Loans</u>	<u>Total</u>
<u>BANK</u>	<u>Bank</u>	<u>Services</u>	<u>Services</u>	<u>Retail Trade</u>	<u>Construction</u>	<u>Mortgage</u>	<u>Financing</u>	<u>Loans</u>	<u>Total</u>
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	618,890	504,252	-	-	-	-	-	-	1,123,142
Deposits and placements with banks and other financial institutions	-	124,946	-	-	-	-	-	-	124,946
Financial assets held-for-trading	1,265,298	-	-	-	-	-	-	-	1,265,298
Financial investments available-for-sale	2,712,779	5,052,209	97,688	336,345	57,589	-	-	71,924	8,328,534
Financial investments held-to-maturity	101,256	461	-	-	-	-	-	-	101,717
Derivative financial assets	-	19,629	-	-	-	-	-	163	19,792
Loans, advances and financing	-	2,564,541	88,553	6,509,323	380,132	9,383,562	365,548	3,572,741	22,864,400
Total on-balance sheet	4,698,223	8,266,038	186,241	6,845,668	437,721	9,383,562	365,548	3,644,828	33,827,829
Financial guarantees	-	28,767	20,375	299,282	37,971	-	-	39,126	425,521
Credit related commitments and contingencies	-	950,781	53,517	2,533,398	814,259	-	-	6,315,518	10,667,473
Total off-balance sheet	-	979,548	73,892	2,832,680	852,230	-	-	6,354,644	11,092,994
Total credit risk	4,698,223	9,245,586	260,133	9,678,348	1,289,951	9,383,562	365,548	9,999,472	44,920,823

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations (contd.)

	Government and Central	Financial, Insurance and Business	Transport, Storage and Communication	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Residential Mortgage	Motor Vehicle Financing	Other Consumer Loans	Total
<u>GROUP</u>	<u>Bank</u>	<u>Services</u>	<u>Services</u>	<u>Retail Trade</u>	<u>Construction</u>	<u>Mortgage</u>	<u>Financing</u>	<u>Loans</u>	<u>Total</u>
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	738,087	306,132	-	-	-	-	-	-	1,044,219
Deposits and placements with banks and other financial institutions	-	153,236	-	-	-	-	-	-	153,236
Balances due from clients and brokers	-	-	-	-	-	-	-	50,122	50,122
Financial assets held-for-trading	1,519,930	-	-	-	-	-	-	-	1,519,930
Financial investments available-for-sale	3,653,718	5,828,940	158,284	418,331	78,449	-	-	87,336	10,225,058
Financial investments held-to-maturity	591,264	513	5,172	-	-	-	-	-	596,949
Derivative financial assets	-	19,629	-	-	-	-	-	163	19,792
Loans, advances and financing	-	2,895,855	111,178	7,626,069	438,726	11,362,649	575,222	4,738,107	27,747,806
Total on-balance sheet	6,502,999	9,204,305	274,634	8,044,400	517,175	11,362,649	575,222	4,875,728	41,357,112
Financial guarantees	-	32,582	20,468	369,636	38,080	-	-	39,492	500,258
Credit related commitments and contingencies	-	1,091,666	55,548	2,988,350	847,321	600,903	218	6,746,191	12,330,197
Total off-balance sheet	-	1,124,248	76,016	3,357,986	885,401	600,903	218	6,785,683	12,830,455
Total credit risk	6,502,999	10,328,553	350,650	11,402,386	1,402,576	11,963,552	575,440	11,661,411	54,187,567

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations (contd.)

	Government and Central	Financial, Insurance and Business	Transport, Storage and Communication	Agriculture, Manufacturing, Wholesale &		Residential	Motor Vehicle	Other Consumer	
<u>BANK</u>	<u>Bank</u>	<u>Services</u>	<u>Services</u>	<u>Retail Trade</u>	<u>Construction</u>	<u>Mortgage</u>	<u>Financing</u>	<u>Loans</u>	<u>Total</u>
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	903,812	635,240	-	-	-	-	-	-	1,539,052
Deposits and placements with banks and other financial institutions	-	143,461	-	-	-	-	-	-	143,461
Financial assets held-for-trading	1,342,302	-	-	-	-	-	-	-	1,342,302
Financial investments available-for-sale	3,077,911	3,874,479	84,766	266,737	21,110	-	-	-	7,325,003
Financial investments held-to-maturity	227,177	1,445	-	-	-	-	-	-	228,622
Derivative financial assets	-	23,712	-	-	-	-	-	-	23,712
Loans, advances and financing	-	2,223,074	95,974	6,004,163	208,517	8,138,883	141,714	2,962,273	19,774,598
Total on-balance sheet	5,551,202	6,901,411	180,740	6,270,900	229,627	8,138,883	141,714	2,962,273	30,376,750
Financial guarantees	-	34,503	19,817	274,277	29,205	300	-	36,806	394,908
Credit related commitments and contingencies	-	1,156,018	66,185	2,545,111	1,197,481	2,787,615	5	3,359,598	11,112,013
Total off-balance sheet	-	1,190,521	86,002	2,819,388	1,226,686	2,787,915	5	3,396,404	11,506,921
Total credit risk	5,551,202	8,091,932	266,742	9,090,288	1,456,313	10,926,798	141,719	6,358,677	41,883,671

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations (contd.)

	Government and Central	Financial, Insurance and Business	Transport, Storage and Communication	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Residential	Motor Vehicle	Other Consumer	Total
<u>GROUP</u>	<u>Bank</u>	<u>Services</u>	<u>Services</u>	<u>Retail Trade</u>	<u>Construction</u>	<u>Mortgage</u>	<u>Financing</u>	<u>Loans</u>	<u>Total</u>
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	1,067,241	617,513	-	-	-	-	-	-	1,684,754
Deposits and placements with banks and other financial institutions	-	93,438	-	-	-	-	-	-	93,438
Balances due from clients and brokers	-	-	-	-	-	-	-	61,764	61,764
Financial assets held-for-trading	1,491,995	-	-	-	-	-	-	-	1,491,995
Financial investments available-for-sale	4,202,309	4,237,686	137,155	374,422	31,529	-	-	-	8,983,101
Financial investments held-to-maturity	768,101	21,949	5,206	-	-	-	-	-	795,256
Derivative financial assets	-	23,712	-	-	-	-	-	-	23,712
Loans, advances and financing	-	2,575,043	125,179	7,075,576	283,811	9,558,392	436,954	4,405,354	24,460,309
Total on-balance sheet	7,529,646	7,569,341	267,540	7,449,998	315,340	9,558,392	436,954	4,467,118	37,594,329
Financial guarantees	-	37,712	19,908	338,361	30,596	300	-	37,085	463,962
Credit related commitments and contingencies	-	1,339,215	66,964	3,126,409	1,225,981	3,404,765	230	3,845,463	13,009,027
Total off-balance sheet	-	1,376,927	86,872	3,464,770	1,256,577	3,405,065	230	3,882,548	13,472,989
Total credit risk	7,529,646	8,946,268	354,412	10,914,768	1,571,917	12,963,457	437,184	8,349,666	51,067,318

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations (contd.)

	Government and Central	Financial, Insurance and Business	Transport, Storage and Communication	Agriculture, Manufacturing, Wholesale &		Residential	Motor Vehicle	Other Consumer	
<u>BANK</u>	<u>Bank</u>	<u>Services</u>	<u>Services</u>	<u>Retail Trade</u>	<u>Construction</u>	<u>Mortgage</u>	<u>Financing</u>	<u>Loans</u>	<u>Total</u>
1 April 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	1,712,843	111,171	5,471,857	334,760	7,548,212	210,531	2,367,258	17,756,632
Total on-balance sheet	5,153,382	6,066,717	205,976	5,670,335	355,898	7,548,212	210,531	2,368,648	27,579,699
Financial guarantees	-	26,634	20,441	294,532	15,544	-	-	36,713	393,864
Credit related commitments and contingencies	-	663,928	70,045	2,106,726	1,248,880	947,023	5	4,371,246	9,407,853
Total off-balance sheet	-	690,562	90,486	2,401,258	1,264,424	947,023	5	4,407,959	9,801,717
Total credit risk	5,153,382	6,757,279	296,462	8,071,593	1,620,322	8,495,235	210,536	6,776,607	37,381,416

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations (contd.)

	Government and Central	Financial, Insurance and Business	Transport, Storage and Communication	Agriculture, Manufacturing, Wholesale &					
<u>GROUP</u>	<u>Bank</u>	<u>Services</u>	<u>Services</u>	<u>Retail Trade</u>	<u>Construction</u>	<u>Residential</u>	<u>Motor</u>	<u>Other</u>	<u>Total</u>
1 April 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	524,670	177,223	-	-	-	-	-	-	701,893
Deposits and placements with banks and other financial institutions	-	100,228	-	-	-	-	-	-	100,228
Balances due from clients and brokers	-	-	-	-	-	-	-	80,543	80,543
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	-	2,006,826	147,517	6,401,964	408,590	8,478,477	557,576	3,868,031	21,868,981
Total on-balance sheet	7,433,272	6,924,511	314,871	6,702,179	440,296	8,478,477	557,576	3,949,964	34,801,146
Financial guarantees	-	28,423	22,630	341,328	23,932	-	-	37,057	453,370
Credit related commitments and contingencies	-	804,322	75,937	2,442,788	1,304,866	1,276,176	1,101	4,593,841	10,499,031
Total off-balance sheet	-	832,745	98,567	2,784,116	1,328,798	1,276,176	1,101	4,630,898	10,952,401
Total credit risk	7,433,272	7,757,256	413,438	9,486,295	1,769,094	9,754,653	558,677	8,580,862	45,753,547

43. 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 arrears more than 90 days or are judgementally triggered as impaired.

Distribution of loans, advances and financing by credit quality

		BANK	
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Neither past due nor impaired	21,936,125	18,958,531	16,986,242
Past due but not impaired	846,858	744,763	645,539
Impaired	472,533	535,912	623,066
Gross loans, advances and financing	23,255,516	20,239,206	18,254,847
Sales commissions and handling fees	42,873	38,007	37,722
Less: Allowance for impairment			
- Individual assessment	(95,282)	(132,263)	(140,584)
- Collective assessment	(295,834)	(332,345)	(357,631)
Net loans, advances and financing	<u>22,907,273</u>	<u>19,812,605</u>	<u>17,794,354</u>
Financial effect of collateral held for loans, advances and financing	<u>74.0%</u>	<u>74.4%</u>	<u>65.1%</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(iv) Credit quality - Loans, advances and financing (contd.)****Distribution of loans, advances and financing by credit quality (contd.)**

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Neither past due nor impaired	26,514,509	23,255,955	20,710,623
Past due but not impaired	1,131,738	1,126,956	987,414
Impaired	579,233	629,236	775,481
Gross loans, advances and financing	28,225,480	25,012,147	22,473,518
Sales commissions and handling fees	23,935	28,523	24,969
Less: Allowance for impairment			
- Individual assessment	(128,471)	(157,966)	(179,423)
- Collective assessment	(349,203)	(393,872)	(425,114)
Net loans, advances and financing	<u>27,771,741</u>	<u>24,488,832</u>	<u>21,893,950</u>
Financial effect of collateral held for loans, advances and financing	<u>72.3%</u>	<u>70.9%</u>	<u>60.9%</u>

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:

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Grading classification			
- Good	20,739,647	18,342,604	15,735,368
- Fair	1,196,478	615,927	1,250,874
	<u>21,936,125</u>	<u>18,958,531</u>	<u>16,986,242</u>
	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Grading classification			
- Good	25,049,436	22,379,010	19,168,648
- Fair	1,465,073	876,945	1,541,975
	<u>26,514,509</u>	<u>23,255,955</u>	<u>20,710,623</u>

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.

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(iv) Credit quality - Loans, advances and financing (contd.)****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.

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Past due up to 1 month	714,766	602,109	506,042
Past due > 1 - 2 months	126,995	127,224	125,603
Past due > 2 - 3 months	5,097	15,430	13,894
	<u>846,858</u>	<u>744,763</u>	<u>645,539</u>
	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Past due up to 1 month	925,366	909,157	773,027
Past due > 1 - 2 months	188,773	187,351	186,858
Past due > 2 - 3 months	17,599	30,448	27,529
	<u>1,131,738</u>	<u>1,126,956</u>	<u>987,414</u>

Loans, advances and financing assessed as impaired

An analysis of the gross amount of loans, advances and financing individually assessed as impaired by the Bank and the Group is as follows:

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Gross impaired loans	<u>472,533</u>	<u>535,912</u>	<u>623,066</u>
Gross individually assessed impaired loans	216,678	255,264	239,236
Less: Allowance for impairment			
- Individual assessment	<u>(95,282)</u>	<u>(132,263)</u>	<u>(140,584)</u>
Net individually assessed impaired loans	<u>121,396</u>	<u>123,001</u>	<u>98,652</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(iv) Credit quality - Loans, advances and financing (contd.)****Loans, advances and financing that are past due but not impaired (contd.)**

	31 March 2013 RM'000	<u>GROUP</u> 31 March 2012 RM'000	1 April 2011 RM'000
Gross impaired loans/financing	579,233	629,236	775,481
Gross individually assessed impaired loans/financing	260,255	287,675	298,168
Less: Allowance for impairment			
- Individual assessment	(128,471)	(157,966)	(179,423)
Net individually assessed impaired loans	131,784	129,709	118,745

(v) Repossessed collateral

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

	31 March 2013 RM'000	<u>BANK</u> 31 March 2012 RM'000	1 April 2011 RM'000
<i>Nature of assets</i>			
Industrial factory	-	-	5,300
Residential property	-	-	-
	-	-	5,300

	31 March 2013 RM'000	<u>GROUP</u> 31 March 2012 RM'000	1 April 2011 RM'000
<i>Nature of assets</i>			
Industrial factory	-	-	5,300
Residential property	-	-	105
	-	-	5,405

Reposessed or foreclosed properties are sold as soon as practical, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified under 'Other Assets' in the consolidated statements of financial position.

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(vi) Credit quality - financial instruments**

The table below presents an analysis of the credit quality of cash and short term funds, deposits and placements with other financial institutions, debt securities and derivative financial assets. Cash and short term funds herein excludes cash in hand. Debt securities include financial assets held-for-trading, financial investments available-for-sale and financial investments 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, MARC, FITCH, Moody's and S&P. The table below presents an analysis of debt securities by rating agency:

	Cash and short-term funds RM'000	Deposits and placement with financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Derivative financial assets RM'000	Total RM'000
<u>BANK</u>							
31 March 2013							
<i>By rating agencies</i>							
<u>RAM</u>							
AAA	208,904	32,241	-	859,168	-	11,227	1,111,540
AA1	32,203	92,705	-	147,743	-	2,418	275,069
AA2	-	-	-	71,924	-	654	72,578
AA3	-	-	-	36,893	-	1,034	37,927
A1	195,821	-	-	-	-	1	195,822
A2	-	-	-	-	-	5	5
<u>MARC</u>							
AAA	-	-	-	638,158	-	-	638,158
AA-	-	-	-	20,878	-	-	20,878
<u>FITCH</u>							
AA-	1,492	-	-	-	-	-	1,492
A1	1,654	-	-	-	-	-	1,654
A	-	-	-	-	-	184	184
<u>Moody's</u>							
AA1	627	-	-	-	-	15	642
AA3	1,646	-	-	-	-	-	1,646
AA+	1,593	-	-	-	-	-	1,593
A+	-	-	-	-	-	57	57
A1	1,225	-	-	-	-	-	1,225
A2	14,060	-	-	-	-	5	14,065
A3	173	-	-	-	-	-	173
A	359	-	-	-	-	-	359
BAA1	3,258	-	-	-	-	-	3,258
<u>S&P</u>							
AA-	3,062	-	-	-	-	31	3,093
A	7,253	-	-	-	-	112	7,365
BB-	18	-	-	-	-	-	18
Government backed	618,889	-	1,265,298	3,082,763	101,256	-	5,068,206
Unrated [Note]	30,905	-	-	3,471,007	461	4,049	3,506,422
	<u>1,123,142</u>	<u>124,946</u>	<u>1,265,298</u>	<u>8,328,534</u>	<u>101,717</u>	<u>19,792</u>	<u>10,963,429</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(vi) Credit quality - financial instruments (contd.)**

	Cash and short-term funds RM'000	Deposits and placement with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Total RM'000
<u>GROUP</u>							
31 March 2013							
<i>By rating agencies</i>							
<u>RAM</u>							
AAA	211,432	32,241	-	1,085,150	-	11,227	1,340,050
AA1	32,203	92,705	-	173,450	-	2,418	300,776
AA2	59	-	-	87,336	-	654	88,049
AA3	-	-	-	53,721	-	1,034	54,755
A1	-	-	-	-	-	1	1
A2	-	-	-	-	-	5	5
<u>MARC</u>							
AAA	-	-	-	781,704	-	-	781,704
AA+	-	-	-	10,211	-	-	10,211
AA-	-	-	-	46,495	-	-	46,495
<u>FITCH</u>							
AA-	1,492	-	-	-	-	-	1,492
A1	1,654	-	-	-	-	-	1,654
A	-	-	-	-	-	184	184
<u>Moody's</u>							
AA1	627	-	-	-	-	15	642
AA3	1,646	-	-	-	-	-	1,646
AA+	1,593	-	-	-	-	-	1,593
A+	-	-	-	-	-	57	57
A1	1,225	-	-	-	-	-	1,225
A2	14,060	-	-	-	-	5	14,065
A3	174	-	-	-	-	-	174
A	359	-	-	-	-	-	359
BAA1	3,258	-	-	-	-	-	3,258
<u>S&P</u>							
AA-	3,062	-	-	-	-	31	3,093
A	7,253	-	-	-	-	112	7,365
BB-	18	-	-	-	-	-	18
Government backed	738,086	-	1,519,930	4,196,414	591,263	-	7,045,693
Unrated [Note]	26,018	28,290	-	3,790,577	5,686	4,049	3,854,620
	<u>1,044,219</u>	<u>153,236</u>	<u>1,519,930</u>	<u>10,225,058</u>	<u>596,949</u>	<u>19,792</u>	<u>13,559,184</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(vi) Credit quality - financial instruments (contd.)**

	Cash and short-term <u>funds</u> RM'000	Deposits and placement with financial <u>institutions</u> RM'000	Financial assets held-for- <u>trading</u> RM'000	Financial investments available-for- <u>sale</u> RM'000	Financial investments held-to- <u>maturity</u> RM'000	Derivative financial <u>assets</u> RM'000	<u>Total</u> RM'000
<u>BANK</u>							
31 March 2012							
<i>By rating agencies</i>							
<u>RAM</u>							
AAA	163,948	-	-	520,514	-	11,321	695,783
AA1	230,178	-	-	92,822	-	2,020	325,020
AA2	-	-	-	20,330	-	2,620	22,950
AA3	-	-	-	9,013	-	25	9,038
AA-	-	-	-	-	-	855	855
A1	213,096	-	-	-	-	30	213,126
<u>MARC</u>							
AAA	-	-	-	247,585	-	-	247,585
AA-	-	-	-	21,110	-	-	21,110
<u>FITCH</u>							
AA+	-	-	-	-	-	111	111
A1	5,303	-	-	-	-	-	5,303
<u>Moody's</u>							
AA1	5,146	-	-	-	-	-	5,146
AA3	12,726	-	-	-	-	-	12,726
AA-	-	-	-	-	-	9	9
A1	551	-	-	-	-	-	551
A2	2,032	31,914	-	-	-	-	33,946
A3	230	-	-	-	-	-	230
BAA1	314	-	-	-	-	-	314
C	1,463	-	-	-	-	-	1,463
<u>S&P</u>							
AA	53	-	-	-	-	-	53
AA-	2,469	-	-	-	-	-	2,469
A+	61,336	-	-	-	-	-	61,336
A	2,026	61,355	-	-	-	-	63,381
A-	31,863	-	-	-	-	-	31,863
Government backed	690,716	-	1,342,302	3,531,147	227,177	1,467	5,792,809
Unrated [Note]	115,602	50,192	-	2,882,482	1,445	5,254	3,054,975
	<u>1,539,052</u>	<u>143,461</u>	<u>1,342,302</u>	<u>7,325,003</u>	<u>228,622</u>	<u>23,712</u>	<u>10,602,152</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(vi) Credit quality - financial instruments (contd.)**

	Cash and short-term funds RM'000	Deposits and placement with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Total RM'000
GROUP							
31 March 2012							
<i>By rating agencies</i>							
<u>RAM</u>							
AAA	169,439	-	-	680,975	-	11,321	861,735
AA1	230,178	-	-	128,976	-	2,020	361,174
AA2	175	-	-	35,578	-	2,620	38,373
AA3	1	-	-	16,342	-	25	16,368
AA-	-	-	-	-	-	855	855
A1	261,323	-	-	-	-	30	261,353
<u>MARC</u>							
AAA	-	-	-	324,242	-	-	324,242
AA-	-	-	-	31,529	-	-	31,529
<u>FITCH</u>							
AA+	-	-	-	-	-	111	111
A1	5,303	-	-	-	-	-	5,303
<u>Moody's</u>							
AA1	5,146	-	-	-	-	-	5,146
AA3	12,726	-	-	-	-	-	12,726
AA-	-	-	-	-	-	9	9
A1	551	-	-	-	-	-	551
A2	2,032	31,914	-	-	-	-	33,946
A3	230	-	-	-	-	-	230
BAA1	314	-	-	-	-	-	314
C	1,463	-	-	-	-	-	1,463
<u>S&P</u>							
AA	53	-	-	-	-	-	53
AA-	2,469	-	-	-	-	-	2,469
A+	61,336	-	-	-	-	-	61,336
A	2,026	61,355	-	-	-	-	63,381
A-	31,863	-	-	-	-	-	31,863
Government backed	854,144	-	1,491,995	4,932,081	768,102	1,467	8,047,789
Unrated [Note]	43,982	169	-	2,833,378	27,154	5,254	2,909,937
	1,684,754	93,438	1,491,995	8,983,101	795,256	23,712	13,072,256

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(vi) Credit quality - financial instruments (contd.)**

	Cash and short-term funds RM'000	Deposits and placement with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Total RM'000
<u>BANK</u>							
1 April 2011							
<i>By rating agencies</i>							
<u>RAM</u>							
AAA	49,737	-	-	672,281	-	23,265	745,283
AA1	-	-	-	235,500	-	60	235,560
AA2	-	-	-	20,430	-	3,556	23,986
AA3	-	-	-	14,259	-	6	14,265
A1	-	50,029	-	-	-	1,032	51,061
C3	-	-	-	4,599	-	-	4,599
<u>MARC</u>							
AAA	-	-	-	173,889	-	-	173,889
AA-	-	-	-	21,137	-	2,338	23,475
<u>FITCH</u>							
AA-	597	-	-	-	-	-	597
A+	-	-	-	-	-	5	5
A1	6,294	-	-	-	-	-	6,294
<u>Moody's</u>							
AA1	3,357	-	-	-	-	-	3,357
AA3	5,747	-	-	-	-	-	5,747
A1	563	-	-	-	-	-	563
A2	2,068	-	-	-	-	-	2,068
A3	402	-	-	-	-	-	402
BAA1	795	-	-	-	-	-	795
C	699	-	-	-	-	-	699
<u>S&P</u>							
AA	170	-	-	-	-	-	170
AA-	978	-	-	-	-	-	978
A	1,516	-	-	-	-	-	1,516
Government backed	475,797	-	1,176,190	3,093,210	629,057	-	5,374,254
Unrated [Note]	230,603	904,581	-	2,012,071	4,464	1,785	3,153,504
	<u>779,323</u>	<u>954,610</u>	<u>1,176,190</u>	<u>6,247,376</u>	<u>633,521</u>	<u>32,047</u>	<u>9,823,067</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(vi) Credit quality - financial instruments (contd.)**

	Cash and short-term funds RM'000	Deposits and placement with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Total RM'000
GROUP							
1 April 2011							
<i>By rating agencies</i>							
RAM							
AAA	84,163	-	-	831,253	-	23,265	938,681
AA1	1	-	-	337,646	-	60	337,707
AA2	211	-	-	51,098	-	3,556	54,865
AA3	-	-	-	32,193	-	6	32,199
A1	33,530	50,029	-	-	-	1,032	84,591
C3	-	-	-	7,003	-	-	7,003
MARC							
AAA	-	-	-	240,381	-	-	240,381
AA-	-	-	-	31,610	-	2,338	33,948
FITCH							
AA-	597	-	-	-	-	-	597
A+	-	-	-	-	-	5	5
A1	6,294	-	-	-	-	-	6,294
Moody's							
AA1	3,357	-	-	-	-	-	3,357
AA3	5,747	-	-	-	-	-	5,747
A1	563	-	-	-	-	-	563
A2	2,068	-	-	-	-	-	2,068
A3	402	-	-	-	-	-	402
BAA1	795	-	-	-	-	-	795
C	699	-	-	-	-	-	699
S&P							
AA	170	-	-	-	-	-	170
AA-	978	-	-	-	-	-	978
A	1,516	-	-	-	-	-	1,516
Government backed	524,797	-	1,938,250	4,464,571	910,444	-	7,838,062
Unrated [Note]	36,005	50,199	-	3,142,723	30,282	1,785	3,260,994
	<u>701,893</u>	<u>100,228</u>	<u>1,938,250</u>	<u>9,138,478</u>	<u>940,726</u>	<u>32,047</u>	<u>12,851,622</u>

Note: Unrated financial instruments comprise of placement with financial institutions where credit rating is not available, investments in bankers' acceptances, negotiable instruments of deposits and debt securities that are no longer rated, or are exempted from credit rating.

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk

Market Risk is the risk of loss of earnings arising from changes in interest rates, foreign exchange rates, equity prices, commodity prices and in their implied volatilities.

The Group has established a framework of approved risk policies, measurement methodologies and risk limits as approved by the Group Risk Management Committee to manage market risk. Market risk arising from the trading activities is controlled via position limits, sensitivity limits and regular revaluation of positions versus market prices, where available.

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/profit rate of return and shifts in the composition of the assets and liabilities. Interest rate/rate of return risk is managed through interest/profit 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 Management Committee ("ALCO") 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 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.

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

BANK	Non-trading book						Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years				
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets										
Cash and short-term funds	897,608	-	-	-	-	-	469,047	-	1,366,655	2.66
Deposits and placements with banks and other financial institutions	-	124,877	-	-	-	-	69	-	124,946	1.30
Financial assets held-for-trading	-	-	-	-	-	-	-	1,265,298	1,265,298	3.02
Financial investments available-for-sale	976,926	1,992,537	70,459	20,351	2,829,177	2,371,276	167,280	-	8,428,006	3.46
Financial investments held-to-maturity	-	-	-	-	101,071	-	646	-	101,717	3.74
Derivative financial assets	-	-	-	-	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	-	-	19,792	19,792	-
Loans, advances and financing	18,326,362	898,470	226,591	865,656	1,019,224	1,489,553	81,417 *	-	22,907,273	5.08
Other non-interest sensitive balances	-	-	-	-	-	-	2,261,027	-	2,261,027	-
Total assets	20,200,896	3,015,884	297,050	886,007	3,949,472	3,860,829	2,979,486	1,285,090	36,474,714	
Liabilities										
Deposits from customers	15,216,397	3,375,817	2,446,120	3,885,504	99,019	74,297	5,019,483	-	30,116,637	2.27
Deposits and placements of banks and other financial institutions	744,740	34,198	54,700	94,675	372,604	-	9,192	-	1,310,109	1.60
Bills and acceptances payable	4,927	68,721	35	-	-	-	-	-	73,683	3.23
Derivative financial liabilities	-	-	-	-	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	-	-	14,122	14,122	-
- Hedging derivatives	-	-	-	-	174	1,574	-	-	1,748	n/a
Amount due to Cagamas Berhad	-	-	-	-	16,290	-	-	-	16,290	4.61
Subordinated obligations	-	-	-	-	598,328	-	13,865	-	612,193	4.92
Other non-interest sensitive balances	-	-	-	-	-	-	790,036	-	790,036	-
Total liabilities	15,966,064	3,478,736	2,500,855	3,980,179	1,086,415	75,871	5,832,576	14,122	32,934,818	
Equity	-	-	-	-	-	-	3,539,896	-	3,539,896	-
Total liabilities and equity	15,966,064	3,478,736	2,500,855	3,980,179	1,086,415	75,871	9,372,472	14,122	36,474,714	
On-balance sheet interest sensitivity gap	4,234,832	(462,852)	(2,203,805)	(3,094,172)	2,863,057	3,784,958	(6,392,986)	1,270,968	-	

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

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

GROUP	Non-trading book						Non-interest/ profit sensitive	Trading book	Total	Effective interest/ profit rate %
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years				
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets										
Cash and short-term funds	747,896	-	-	-	-	-	539,838	-	1,287,734	2.58
Deposits and placements with banks and other financial institutions	-	117,877	-	35,342	-	-	17	-	153,236	1.47
Balances due from clients and brokers	98	-	-	-	-	-	50,024	-	50,122	12.00
Financial assets held-for-trading	-	-	-	-	-	-	-	1,519,930	1,519,930	3.02
Financial investments available-for-sale	1,323,802	2,451,115	439,336	33,595	3,047,692	2,851,581	215,329	-	10,362,450	3.73
Financial investments held-to-maturity	-	-	-	-	589,156	-	7,793	-	596,949	3.72
Derivative financial assets										
- Trading derivatives	-	-	-	-	-	-	-	19,792	19,792	-
Loans, advances and financing	21,726,659	1,132,788	315,932	885,032	1,436,362	2,173,409	101,559*	-	27,771,741	5.12
Other non-interest/profit sensitive balances	-	-	-	-	-	-	1,892,006	-	1,892,006	-
Total assets	23,798,455	3,701,780	755,268	953,969	5,073,210	5,024,990	2,806,566	1,539,722	43,653,960	
Liabilities										
Deposits from customers	18,687,231	4,797,267	2,747,137	4,452,208	165,393	74,297	5,100,766	-	36,024,299	2.30
Deposits and placements of banks and other financial institutions	1,320,268	86,698	54,700	95,383	442,970	-	9,977	-	2,009,996	2.06
Balances due to clients and brokers	-	-	-	-	-	-	30,852	-	30,852	-
Bills and acceptances payable	4,927	68,729	57	-	-	-	-	-	73,713	3.23
Derivative financial liabilities										
- Trading derivatives	-	-	-	-	-	-	-	14,122	14,122	-
- Hedging derivatives	-	-	-	-	174	1,574	-	-	1,748	n/a
Amount due to Cagamas Berhad	-	-	-	-	16,290	-	-	-	16,290	4.61
Subordinated obligations	-	-	-	-	598,328	-	13,865	-	612,193	4.92
Other non-interest/profit sensitive balances	-	-	-	-	-	-	892,150	-	892,150	-
Total liabilities	20,012,426	4,952,694	2,801,894	4,547,591	1,223,155	75,871	6,047,610	14,122	39,675,363	
Equity	-	-	-	-	-	-	3,973,850	-	3,973,850	-
Non-controlling interests	-	-	-	-	-	-	4,747	-	4,747	-
Total liabilities and equity	20,012,426	4,952,694	2,801,894	4,547,591	1,223,155	75,871	10,026,207	14,122	43,653,960	
On-balance sheet interest sensitivity gap	3,786,029	(1,250,914)	(2,046,626)	(3,593,622)	3,850,055	4,949,119	(7,219,641)	1,525,600	-	

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

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

BANK 31 March 2012	Non-trading book						Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets										
Cash and short-term funds	1,292,323	-	-	-	-	-	437,967	-	1,730,290	3.01
Deposits and placements with banks and other financial institutions	-	143,138	-	-	-	-	323	-	143,461	2.49
Financial assets held-for-trading	-	-	-	-	-	-	-	1,342,302	1,342,302	3.00
Financial investments available-for-sale	633,474	1,522,660	86,863	38,602	2,390,021	2,599,499	148,792	-	7,419,911	3.47
Financial investments held-to-maturity	-	50,081	75,943	28	-	101,293	1,277	-	228,622	3.59
Derivative financial assets										
- Trading derivatives	-	-	-	-	-	-	-	23,712	23,712	-
Loans, advances and financing	16,192,162	848,676	280,215	559,845	906,070	954,333	71,304 *	-	19,812,605	5.20
Other non-interest sensitive balances	-	-	-	-	-	-	2,143,143	-	2,143,143	-
Total assets	18,117,959	2,564,555	443,021	598,475	3,296,091	3,655,125	2,802,806	1,366,014	32,844,046	
Liabilities										
Deposits from customers	12,355,332	3,180,174	2,126,444	4,403,520	91,742	40,278	4,761,413	-	26,958,903	2.30
Deposits and placements of banks and other financial institutions	154,255	171,662	226,140	61,340	564,482	-	8,851	-	1,186,730	1.36
Bills and acceptances payable	2	18	111	-	-	-	-	-	131	3.24
Derivative financial liabilities										
- Trading derivatives	-	-	-	-	-	-	-	25,818	25,818	-
- Hedging derivatives	-	-	-	-	-	423	-	-	423	n/a
Amount due to Cagamas Berhad	-	-	1,634	9,566	10,844	-	-	-	22,044	4.54
Subordinated obligations	-	-	-	-	597,829	-	13,786	-	611,615	4.92
Other non-interest sensitive balances	-	-	-	-	-	-	740,291	-	740,291	-
Total liabilities	12,509,589	3,351,854	2,354,329	4,474,426	1,264,897	40,701	5,524,341	25,818	29,545,955	
Equity	-	-	-	-	-	-	3,298,091	-	3,298,091	-
Total liabilities and equity	12,509,589	3,351,854	2,354,329	4,474,426	1,264,897	40,701	8,822,432	25,818	32,844,046	
On-balance sheet interest sensitivity gap	5,608,370	(787,299)	(1,911,308)	(3,875,951)	2,031,194	3,614,424	(6,019,626)	1,340,196	-	

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

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

GROUP	Non-trading book						Non-interest/ profit sensitive	Trading book	Total	Effective interest/ profit rate %
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years				
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets										
Cash and short-term funds	1,385,735	-	-	-	-	-	490,259	-	1,875,994	3.04
Deposits and placements with banks and other financial institutions	-	93,138	165	-	-	-	135	-	93,438	2.42
Balances due from clients and brokers	1,631	-	-	-	-	-	60,133	-	61,764	12.00
Financial assets held-for-trading	-	-	-	-	-	-	-	1,491,995	1,491,995	3.00
Financial investments available-for-sale	953,177	1,910,031	150,485	88,717	2,493,255	3,314,235	213,301	-	9,123,201	3.79
Financial investments held-to-maturity	-	50,081	134,359	11,992	357,154	233,114	8,556	-	795,256	3.55
Derivative financial assets										
- Trading derivatives	-	-	-	-	-	-	-	23,712	23,712	-
Loans, advances and financing	18,988,098	1,013,570	338,603	608,585	1,485,718	1,976,860	77,398*	-	24,488,832	5.46
Other non-interest/profit sensitive balances	-	-	-	-	-	-	1,731,349	-	1,731,349	-
Total assets	21,328,641	3,066,820	623,612	709,294	4,336,127	5,524,209	2,581,131	1,515,707	39,685,541	
Liabilities										
Deposits from customers	16,004,975	3,716,695	2,369,875	5,203,955	87,647	40,278	4,786,169	-	32,209,594	2.32
Deposits and placements of banks and other financial institutions	771,753	462,662	226,140	61,329	628,462	-	10,659	-	2,161,005	2.02
Balances due to clients and brokers	-	-	-	-	-	-	20,626	-	20,626	2.90
Bills and acceptances payable	14	40	124	-	-	-	-	-	178	3.36
Derivative financial liabilities										
- Trading derivatives	-	-	-	-	-	-	-	25,818	25,818	-
- Hedging derivatives	-	-	-	-	-	423	-	-	423	n/a
Amount due to Cagamas Berhad	-	-	1,634	9,566	10,844	-	-	-	22,044	4.54
Subordinated obligations	-	-	-	-	597,829	-	13,786	-	611,615	4.92
Other non-interest/profit sensitive balances	-	-	-	-	-	-	914,327	-	914,327	-
Total liabilities	16,776,742	4,179,397	2,597,773	5,274,850	1,324,782	40,701	5,745,567	25,818	35,965,630	
Equity	-	-	-	-	-	-	3,715,006	-	3,715,006	-
Non-controlling interests	-	-	-	-	-	-	4,905	-	4,905	-
Total liabilities and equity	16,776,742	4,179,397	2,597,773	5,274,850	1,324,782	40,701	9,465,478	25,818	39,685,541	
On-balance sheet interest sensitivity gap	4,551,899	(1,112,577)	(1,974,161)	(4,565,556)	3,011,345	5,483,508	(6,884,347)	1,489,889	-	

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

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

BANK 1 April 2011	Non-trading book						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	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				
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
Derivative financial assets										
- Trading derivatives	-	-	-	-	-	-	-	32,047	32,047	-
Loans, advances and financing	14,987,178	1,181,704	269,745	192,847	866,373	171,656	124,851*	-	17,794,354	5.68
Other non-interest sensitive balances	-	-	-	-	-	-	1,558,985	-	1,558,985	-
Total assets	17,306,147	2,338,141	1,179,678	283,486	2,821,738	2,044,694	2,255,691	1,208,237	29,437,812	
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
Bills and acceptances payable	86,155	24,942	43	-	-	-	-	-	111,140	3.04
Derivative financial liabilities										
- Trading derivatives	-	-	-	-	-	-	-	33,347	33,347	-
Amount due to Cagamas Berhad	-	-	-	100,000	25,134	-	642	-	125,776	3.77
Subordinated obligations	-	600,000	-	-	-	-	-	-	600,000	6.09
Other non-interest sensitive balances	-	-	-	-	-	-	698,739	-	698,739	-
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	-	-	-	-	-	-	3,059,611	-	3,059,611	-
Total liabilities and equity	10,645,179	3,232,076	2,076,537	4,012,033	1,131,246	-	8,307,394	33,347	29,437,812	
On-balance sheet interest sensitivity gap	6,660,968	(893,935)	(896,859)	(3,728,547)	1,690,492	2,044,694	(6,051,703)	1,174,890	-	

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

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

GROUP	Non-trading book						Non-interest/ profit sensitive	Trading book	Total	Effective interest/ profit rate %
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years				
1 April 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	409,732	-	-	-	-	-	502,029	-	911,761	2.91
Deposits and placements with banks and other financial institutions	-	100,000	160	-	-	-	68	-	100,228	3.05
Balances due from clients and brokers	1,070	-	-	-	-	-	79,473	-	80,543	12.00
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
Derivative financial assets										
- Trading derivatives	-	-	-	-	-	-	-	32,047	32,047	-
Loans, advances and financing	16,882,804	1,413,040	336,274	222,518	1,458,636	1,409,734	170,944	-	21,893,950	5.67
Other non-interest/profit sensitive balances	-	-	-	-	-	-	955,523	-	955,523	-
Total assets	18,549,790	3,660,202	1,563,417	363,355	4,512,029	3,596,782	1,897,096	1,970,297	36,112,968	
Liabilities										
Deposits from customers	13,977,792	3,177,373	2,484,735	4,530,563	291,335	-	4,575,081	-	29,036,879	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
Balances due to clients and brokers	34,516	-	-	-	-	-	12,471	-	46,987	2.55
Bills and acceptances payable	86,161	24,948	50	-	-	-	-	-	111,159	3.04
Derivative financial liabilities										
- Trading derivatives	-	-	-	-	-	-	-	33,347	33,347	-
Amount due to Cagamas Berhad	-	-	-	100,000	25,134	-	642	-	125,776	3.77
Subordinated obligations	-	600,000	-	-	-	-	-	-	600,000	6.09
Other non-interest/profit sensitive balances	-	-	-	-	-	-	857,014	-	857,014	-
Total liabilities	15,066,927	3,863,517	2,493,737	4,654,010	1,199,380	-	5,452,444	33,347	32,763,362	
Equity	-	-	-	-	-	-	3,345,118	-	3,345,118	-
Non-controlling interests	-	-	-	-	-	-	4,488	-	4,488	-
Total liabilities and equity	15,066,927	3,863,517	2,493,737	4,654,010	1,199,380	-	8,802,050	33,347	36,112,968	
On-balance sheet interest sensitivity gap	3,482,863	(203,315)	(930,320)	(4,290,655)	3,312,649	3,596,782	(6,904,954)	1,936,950	-	

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

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(b) Market Risk (contd.)****(ii) Foreign currency exchange risk**

Foreign currency exchange risk refers to the risk that fair value or future cash flows of a financial instruments will fluctuate because of the 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 US, Singapore, Euro and Australian Dollars. Other foreign exchange exposures include exposure to Japanese Yen, Pound Sterling and New Zealand Dollars.

<u>BANK/GROUP</u>	<u>US Dollars</u>	<u>Singapore Dollars</u>	<u>Euro Dollars</u>	<u>Australian Dollars</u>	<u>Others</u>	<u>Total</u>
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Cash and short-term funds	141,281	1,492	4,115	50,431	11,061	208,380
Deposits and placements with banks and other financial institutions	92,705	-	-	32,241	-	124,946
Loans, advances and financing	233,205	-	834	-	3,174	237,213
Other financial assets	91	-	-	4	5	100
Total financial assets	467,282	1,492	4,949	82,676	14,240	570,639
Liabilities						
Deposits from customers	172,743	18,656	9,757	71,454	48,046	320,656
Deposits and placements of banks and other financial institutions	383,440	2,332	1,846	-	-	387,618
Other financial liabilities	102	3	-	-	6	111
Total financial liabilities	556,285	20,991	11,603	71,454	48,052	708,385
On-balance sheet open position	(89,003)	(19,499)	(6,654)	11,222	(33,812)	(137,746)
Off-balance sheet open position	134,746	21,961	13,506	(13,818)	42,453	198,848
Net open position	45,743	2,462	6,852	(2,596)	8,641	61,102

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(b) Market Risk (contd.)****(ii) Foreign currency exchange risk (contd.)**

<u>BANK/GROUP</u>	<u>US Dollars</u>	<u>Singapore</u>	<u>Euro Dollars</u>	<u>Australian</u>	<u>Others</u>	<u>Total</u>
31 March 2012	RM'000	Dollars RM'000	RM'000	Dollars RM'000	RM'000	RM'000
Assets						
Cash and short-term funds	18,243	531	2,101	1,733	9,751	32,359
Deposits and placements with banks and other financial institutions	123,304	-	-	128,288	-	251,592
Loans, advances and financing	277,991	-	817	1,047	3,025	282,880
Other financial assets	1,998	-	-	2	9	2,009
Total financial assets	421,536	531	2,918	131,070	12,785	568,840
Liabilities						
Deposits from customers	140,435	13,944	11,489	76,066	41,668	283,602
Deposits and placements of banks and other financial institutions	456,778	3,351	816	31,854	17	492,816
Other financial liabilities	429	1	-	-	11	441
Total financial liabilities	597,642	17,296	12,305	107,920	41,696	776,859
On-balance sheet open position	(176,106)	(16,765)	(9,387)	23,150	(28,911)	(208,019)
Off-balance sheet open position	175,430	24,034	12,081	(24,927)	39,632	226,250
Net open position	(676)	7,269	2,694	(1,777)	10,721	18,231

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(b) Market Risk (contd.)****(ii) Foreign currency exchange risk (contd.)**

<u>BANK/GROUP</u>	<u>US Dollars</u>	<u>Singapore</u>	<u>Euro Dollars</u>	<u>Australian</u>	<u>Others</u>	<u>Total</u>
1 April 2011	<u>RM'000</u>	<u>Dollars</u>	<u>RM'000</u>	<u>Dollars</u>	<u>RM'000</u>	<u>RM'000</u>
Assets						
Cash and short-term funds	12,389	2,339	-	-	58,245	72,973
Loans, advances and financing	163,961	-	1,583	-	3,425	168,969
Other financial assets	7,384	-	-	38	4	7,426
Total financial assets	183,734	2,339	1,583	38	61,674	249,368
Liabilities						
Deposits from customers	163,167	1,680	11,069	34,882	20,718	231,516
Deposits and placements of banks and other financial institutions	30,258	-	-	-	159	30,417
Other financial liabilities	578	12	11	106	8	715
Total financial liabilities	194,003	1,692	11,080	34,988	20,885	262,648
On-balance sheet open position	(10,269)	647	(9,497)	(34,950)	40,789	(13,280)
Off-balance sheet open position	8,285	5,882	6,575	(2,603)	6,005	24,144
Net open position	(1,984)	6,529	(2,922)	(37,553)	46,794	10,864

43. 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:

<u>BANK</u>	<u>Balance</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
31 March 2013	RM'000	for the year RM'000	RM'000	RM'000
Instruments:				
FX swap	(259)	(6,722)	(134)	(116,210)
Government securities	(10,867)	(12,040)	(6,025)	(22,073)
Private debt securities	<u>(2,136)</u>	<u>(1,033)</u>	<u>(420)</u>	<u>(2,390)</u>

<u>GROUP</u>				
31 March 2013				
FX swap	(259)	(6,722)	(134)	(116,210)
Government securities	(14,380)	(15,644)	(8,717)	(25,567)
Private debt securities	<u>(2,785)</u>	<u>(1,534)</u>	<u>(452)</u>	<u>(2,965)</u>

<u>BANK</u>				
31 March 2012				
Instruments:				
FX swap	(549)	(885)	(18)	(44,087)
Government securities	(8,954)	(10,039)	(4,743)	(35,341)
Private debt securities	<u>(1,035)</u>	<u>(3,132)</u>	<u>(580)</u>	<u>(6,014)</u>

<u>GROUP</u>				
31 March 2012				
FX swap	(549)	(885)	(18)	(44,087)
Government securities	(12,291)	(14,765)	(6,452)	(41,399)
Private debt securities	<u>(1,707)</u>	<u>(4,477)</u>	<u>(1,045)</u>	<u>(7,999)</u>

<u>BANK</u>				
1 April 2011				
Instruments:				
FX swap	(770)	(525)	(272)	(989)
Government securities	(8,522)	(5,184)	(2,206)	(8,529)
Private debt securities	<u>(3,615)</u>	<u>(2,738)</u>	<u>(1,124)</u>	<u>(5,441)</u>

<u>GROUP</u>				
1 April 2011				
FX swap	(770)	(525)	(272)	(989)
Government securities	(11,487)	(7,650)	(4,256)	(12,201)
Private debt securities	<u>(5,144)</u>	<u>(3,641)</u>	<u>(1,870)</u>	<u>(6,456)</u>

43. 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.

	31 March 2013 BANK		31 March 2013 GROUP	
	- 100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000	- 100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000
Impact on net interest income				
Ringgit Malaysia	<u>(55,661)</u>	<u>55,661</u>	<u>(56,563)</u>	<u>56,563</u>
As percentage of net interest income	<u>(7.9%)</u>	<u>7.9%</u>	<u>(5.8%)</u>	<u>5.8%</u>
	31 March 2012 BANK		31 March 2012 GROUP	
	- 100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000	- 100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000
Impact on net interest income				
Ringgit Malaysia	<u>(57,392)</u>	<u>57,392</u>	<u>(53,366)</u>	<u>53,366</u>
As percentage of net interest income	<u>(8.2%)</u>	<u>8.2%</u>	<u>(5.5%)</u>	<u>5.5%</u>
	1 April 2011 BANK		1 April 2011 GROUP	
	- 100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000	- 100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000
Impact on net interest income				
Ringgit Malaysia	<u>(58,054)</u>	<u>58,054</u>	<u>(44,616)</u>	<u>44,616</u>
As percentage of net interest income	<u>(9.1%)</u>	<u>9.1%</u>	<u>(4.8%)</u>	<u>4.8%</u>

Note:

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

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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 (e.g. in increment of 25 basis points) on its exposures, primarily on the banking and trading book positions.

(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.

(c) Liquidity Risk

Liquidity risk is the inability of the Group to meet financial commitments when due.

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.

43. 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:

<u>BANK</u>	<u>Up to</u>	<u>>1-3</u>	<u>>3-6</u>	<u>>6-12</u>	<u>>1 year</u>	<u>Total</u>
31 March 2013	<u>1 month</u>	<u>months</u>	<u>months</u>	<u>months</u>	<u>RM'000</u>	<u>RM'000</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>		
Assets						
Cash and short-term funds	1,366,644	11	-	-	-	1,366,655
Deposits and placements with banks and other financial institutions	-	124,946	-	-	-	124,946
Financial investments	1,905,852	2,390,975	72,412	24,448	5,401,334	9,795,021
Loans, advances and financing	4,901,622	1,363,982	812,040	492,046	15,337,583	22,907,273
Other asset balances	43,806	13,383	10,353	5,954	2,207,323	2,280,819
Total assets	8,217,924	3,893,297	894,805	522,448	22,946,240	36,474,714
Liabilities						
Deposits from customers	20,168,873	3,401,939	2,469,968	3,902,512	173,345	30,116,637
Deposits and placements of banks and other financial institutions	600,821	36,290	205,719	94,675	372,604	1,310,109
Bills and acceptances payable	4,927	68,721	35	-	-	73,683
Amount due to Cagamas Berhad	-	-	-	-	16,290	16,290
Subordinated obligations	13,865	-	-	-	598,328	612,193
Other liability balances	476,664	31,613	30,133	54,857	212,639	805,906
Total liabilities	21,265,150	3,538,563	2,705,855	4,052,044	1,373,206	32,934,818
Equity	-	-	-	-	3,539,896	3,539,896
Total liabilities and equity	21,265,150	3,538,563	2,705,855	4,052,044	4,913,102	36,474,714
Net maturity mismatch	(13,047,226)	354,734	(1,811,050)	(3,529,596)	18,033,138	-

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(c) Liquidity risk (contd.)****(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (contd.)**

<u>GROUP</u>	<u>Up to</u> <u>1 month</u>	<u>>1-3</u> <u>months</u>	<u>>3-6</u> <u>months</u>	<u>>6-12</u> <u>months</u>	<u>>1 year</u>	<u>Total</u>
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Cash and short-term funds	1,287,723	11	-	-	-	1,287,734
Deposits and placements with banks and other financial institutions	-	153,062	174	-	-	153,236
Balances due from clients and brokers	35,060	-	-	-	15,062	50,122
Financial investments	2,438,861	2,966,195	442,597	112,258	6,519,418	12,479,329
Loans, advances and financing	5,653,977	1,647,590	1,012,443	652,699	18,805,032	27,771,741
Other asset balances	69,959	13,406	10,388	6,023	1,812,022	1,911,798
Total assets	9,485,580	4,780,264	1,465,602	770,980	27,151,534	43,653,960
Liabilities						
Deposits from customers	24,221,743	4,296,683	2,854,150	4,404,196	247,527	36,024,299
Deposits and placements of banks and other financial institutions	1,176,805	89,119	205,719	95,383	442,970	2,009,996
Balances due to clients and brokers	29,623	-	-	-	1,229	30,852
Bills and acceptances payable	4,927	68,729	57	-	-	73,713
Amount due to Cagamas Berhad	-	-	-	-	16,290	16,290
Subordinated obligations	13,865	-	-	-	598,328	612,193
Other liability balances	500,509	31,875	30,526	55,642	289,468	908,020
Total liabilities	25,947,472	4,486,406	3,090,452	4,555,221	1,595,812	39,675,363
Equity	2,292	-	-	-	3,971,558	3,973,850
Non-controlling interest	4,747	-	-	-	-	4,747
Total liabilities and equity	25,954,511	4,486,406	3,090,452	4,555,221	5,567,370	43,653,960
Net maturity mismatch	(16,468,931)	293,858	(1,624,850)	(3,784,241)	21,584,164	-

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

<u>BANK</u>	<u>Up to</u> <u>1 month</u>	<u>>1-3</u> <u>months</u>	<u>>3-6</u> <u>months</u>	<u>>6-12</u> <u>months</u>	<u>>1 year</u>	<u>Total</u>
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Cash and short-term funds	1,730,290	-	-	-	-	1,730,290
Deposits and placements with banks and other financial institutions	-	143,461	-	-	-	143,461
Financial investments	649,224	2,430,032	572,018	37,165	5,302,396	8,990,835
Loans, advances and financing	4,330,582	1,273,642	804,281	394,744	13,009,356	19,812,605
Other asset balances	34,096	14,212	7,184	7,763	2,103,600	2,166,855
Total assets	6,744,192	3,861,347	1,383,483	439,672	20,415,352	32,844,046
Liabilities						
Deposits from customers	17,057,098	3,199,919	2,145,214	4,424,636	132,036	26,958,903
Deposits and placements of banks and other financial institutions	159,539	175,093	226,276	61,340	564,482	1,186,730
Bills and acceptances payable	2	18	111	-	-	131
Amount due to Cagamas Berhad	-	-	1,634	9,566	10,844	22,044
Subordinated obligations	13,786	-	-	-	597,829	611,615
Other liability balances	491,631	35,487	23,347	44,488	171,579	766,532
Total liabilities	17,722,056	3,410,517	2,396,582	4,540,030	1,476,770	29,545,955
Equity	-	-	-	-	3,298,091	3,298,091
Total liabilities and equity	17,722,056	3,410,517	2,396,582	4,540,030	4,774,861	32,844,046
Net maturity mismatch	(10,977,864)	450,830	(1,013,099)	(4,100,358)	15,640,491	-

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(c) Liquidity risk (contd.)****(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (contd.)**

<u>GROUP</u> 31 March 2012	<u>Up to</u> <u>1 month</u> RM'000	<u>>1-3</u> <u>months</u> RM'000	<u>>3-6</u> <u>months</u> RM'000	<u>>6-12</u> <u>months</u> RM'000	<u>>1 year</u> RM'000	<u>Total</u> RM'000
Assets						
Cash and short-term funds	1,875,994	-	-	-	-	1,875,994
Deposits and placements with banks and other financial institutions	-	93,270	168	-	-	93,438
Balances due from clients and brokers	42,207	-	-	-	19,557	61,764
Financial investments	1,031,877	2,922,378	697,092	97,906	6,661,199	11,410,452
Loans, advances and financing	4,970,968	1,549,576	987,155	598,935	16,382,198	24,488,832
Other asset balances	36,590	14,213	7,186	7,767	1,689,305	1,755,061
Total assets	7,957,636	4,579,437	1,691,601	704,608	24,752,259	39,685,541
Liabilities						
Deposits from customers	20,717,358	3,736,550	2,393,086	5,228,010	134,590	32,209,594
Deposits and placements of banks and other financial institutions	770,600	471,339	226,276	64,329	628,461	2,161,005
Balances due to clients and brokers	19,513	-	-	-	1,113	20,626
Bills and acceptances payable	14	40	124	-	-	178
Amount due to Cagamas Berhad	-	-	1,634	9,566	10,844	22,044
Subordinated obligations	13,786	-	-	-	597,829	611,615
Other liability balances	575,293	37,538	23,573	44,941	259,223	940,568
Total liabilities	22,096,564	4,245,467	2,644,693	5,346,846	1,632,060	35,965,630
Equity	-	-	-	-	3,715,006	3,715,006
Non-controlling interest	-	-	-	-	4,905	4,905
Total liabilities and equity	22,096,564	4,245,467	2,644,693	5,346,846	5,351,971	39,685,541
Net maturity mismatch	(14,138,928)	333,970	(953,092)	(4,642,238)	19,400,288	-

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(c) Liquidity risk (contd.)****(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (contd.)**

<u>BANK</u> 1 April 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	4,331,614	1,158,824	760,186	363,815	11,179,915	17,794,354
Other asset balances	40,544	7,741	9,201	2,699	1,530,847	1,591,032
Total assets	6,798,257	3,060,842	1,265,034	1,170,202	17,143,477	29,437,812
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
Bills and acceptances payable	86,155	24,942	43	-	-	111,140
Amount due to Cagamas Berhad	514	294	766	101,562	22,640	125,776
Subordinated obligations	-	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	-	-	-	-	3,059,611	3,059,611
Total liabilities and equity	15,586,429	3,296,483	2,122,732	4,074,130	4,358,038	29,437,812
Net maturity mismatch	(8,788,172)	(235,641)	(857,698)	(2,903,928)	12,785,439	-

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(c) Liquidity risk (contd.)****(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (contd.)**

<u>GROUP</u> 1 April 2011	<u>Up to</u> <u>1 month</u> RM'000	<u>>1-3</u> <u>months</u> RM'000	<u>>3-6</u> <u>months</u> RM'000	<u>>6-12</u> <u>months</u> RM'000	<u>>1 year</u> RM'000	<u>Total</u> RM'000
Assets						
Cash and short-term funds	911,761	-	-	-	-	911,761
Deposits and placements with banks and other financial institutions	-	100,065	163	-	-	100,228
Balances due from clients and brokers	61,441	-	-	-	19,102	80,543
Financial investments	2,122,429	3,187,345	809,576	932,379	5,087,187	12,138,916
Loans, advances and financing	4,792,753	1,471,389	946,576	557,078	14,126,154	21,893,950
Other asset balances	26,142	7,741	9,201	2,699	941,787	987,570
Total assets	7,914,526	4,766,540	1,765,516	1,492,156	20,174,230	36,112,968
Liabilities						
Deposits from customers	18,481,055	3,206,337	2,511,423	4,546,712	291,352	29,036,879
Deposits and placements of banks and other financial institutions	971,566	61,203	13,074	23,447	882,910	1,952,200
Balances due to clients and brokers	45,444	-	-	-	1,543	46,987
Bills and acceptances payable	86,161	24,948	50	-	-	111,159
Amount due to Cagamas Berhad	514	294	766	101,562	22,640	125,776
Subordinated obligations	-	600,000	-	-	-	600,000
Other liability balances	539,470	39,671	24,365	48,729	238,126	890,361
Total liabilities	20,124,210	3,932,453	2,549,678	4,720,450	1,436,571	32,763,362
Equity	-	-	-	-	3,345,118	3,345,118
Non-controlling interest	-	-	-	-	4,488	4,488
Total liabilities and equity	20,124,210	3,932,453	2,549,678	4,720,450	4,786,177	36,112,968
Net maturity mismatch	(12,209,684)	834,087	(784,162)	(3,228,294)	15,388,053	-

43. 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.

<u>BANK</u>	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non derivative financial liabilities							
Deposits from customers	20,225,805	3,586,593	2,675,586	4,042,578	102,585	75,980	30,709,127
Deposits and placements of banks and other financial institutions	600,821	38,358	207,125	98,168	379,195	-	1,323,667
Bills and acceptances payable	4,927	68,721	35	-	-	-	73,683
Amount due to Cagamas Berhad	436	310	747	1,496	14,551	-	17,540
Subordinated obligations	14,460	-	-	14,460	701,220	-	730,140
Other financial liabilities	476,664	31,613	30,133	54,857	212,639	-	805,906
	<u>21,323,113</u>	<u>3,725,595</u>	<u>2,913,626</u>	<u>4,211,559</u>	<u>1,410,190</u>	<u>75,980</u>	<u>33,660,063</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	57,689	72,972	105,827	148,124	37,257	3,652	425,521
Credit related commitments and contingencies	5,786,707	64,157	27,530	147,829	295,092	4,346,158	10,667,473
	<u>5,844,396</u>	<u>137,129</u>	<u>133,357</u>	<u>295,953</u>	<u>332,349</u>	<u>4,349,810</u>	<u>11,092,994</u>
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives	(53)	(593)	(522)	(675)	(1,843)	(306)	(3,992)
Hedging derivatives	110	194	399	793	5,478	58	7,032
Net inflow/(outflow)	<u>57</u>	<u>(399)</u>	<u>(123)</u>	<u>118</u>	<u>3,635</u>	<u>(248)</u>	<u>3,040</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(1,088,067)	(250,850)	(230,221)	(148,133)	-	-	(1,717,271)
Inflow	1,083,369	249,198	226,951	147,006	-	-	1,706,524
	<u>(4,698)</u>	<u>(1,652)</u>	<u>(3,270)</u>	<u>(1,127)</u>	<u>-</u>	<u>-</u>	<u>(10,747)</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(c) Liquidity risk (contd.)****(ii) Contractual maturity of financial liabilities on an undiscounted basis (contd.)**

<u>GROUP</u>	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non derivative financial liabilities							
Deposits from customers	24,342,623	4,562,723	3,074,217	4,578,618	105,672	75,980	36,739,833
Deposits and placements of banks and other financial institutions	1,176,945	91,599	207,125	99,403	450,791	-	2,025,863
Balances due to clients and brokers	30,852	-	-	-	1,113	-	31,965
Bills and acceptances payable	4,927	68,729	57	-	-	-	73,713
Amount due to Cagamas Berhad	436	310	747	1,496	14,551	-	17,540
Subordinated obligations	14,460	-	-	14,460	701,220	-	730,140
Other financial liabilities	500,509	31,875	30,526	55,642	289,468	-	908,020
	<u>26,070,752</u>	<u>4,755,236</u>	<u>3,312,672</u>	<u>4,749,619</u>	<u>1,562,815</u>	<u>75,980</u>	<u>40,527,074</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	68,162	89,551	115,148	179,987	42,998	4,412	500,258
Credit related commitments and contingencies	6,733,398	66,251	31,293	157,473	302,404	5,039,378	12,330,197
	<u>6,801,560</u>	<u>155,802</u>	<u>146,441</u>	<u>337,460</u>	<u>345,402</u>	<u>5,043,790</u>	<u>12,830,455</u>
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives	(53)	(593)	(522)	(675)	(1,843)	(306)	(3,992)
Hedging derivatives	110	194	399	793	5,478	58	7,032
Net inflow/(outflow)	<u>57</u>	<u>(399)</u>	<u>(123)</u>	<u>118</u>	<u>3,635</u>	<u>(248)</u>	<u>3,040</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(1,088,067)	(250,850)	(230,221)	(148,133)	-	-	(1,717,271)
Inflow	1,083,369	249,198	226,951	147,006	-	-	1,706,524
	<u>(4,698)</u>	<u>(1,652)</u>	<u>(3,270)</u>	<u>(1,127)</u>	<u>-</u>	<u>-</u>	<u>(10,747)</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(c) Liquidity risk (contd.)****(ii) Contractual maturity of financial liabilities on an undiscounted basis**

<u>BANK</u>	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non derivative financial liabilities							
Deposits from customers	17,329,006	3,229,583	2,180,425	4,510,146	102,824	45,994	27,397,978
Deposits and placements of banks and other financial institutions	159,561	178,023	226,942	66,034	578,404	-	1,208,964
Bills and acceptances payable	2	18	111	-	-	-	131
Amount due to Cagamas Berhad	666	379	2,511	9,697	10,466	-	23,719
Subordinated obligations	14,460	-	-	14,460	701,220	-	730,140
Other financial liabilities	489,572	24,098	21,525	43,049	154,766	-	733,010
	<u>17,993,267</u>	<u>3,432,101</u>	<u>2,431,514</u>	<u>4,643,386</u>	<u>1,547,680</u>	<u>45,994</u>	<u>30,093,942</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	63,114	83,433	79,264	87,805	81,225	67	394,908
Credit related commitments and contingencies	6,941,994	50,975	52,753	90,614	328,016	3,647,661	11,112,013
	<u>7,005,108</u>	<u>134,408</u>	<u>132,017</u>	<u>178,419</u>	<u>409,241</u>	<u>3,647,728</u>	<u>11,506,921</u>
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives	(57)	(752)	(624)	(1,214)	(2,801)	(424)	(5,872)
Hedging derivatives	-	34	35	69	548	102	788
Net (outflow)/inflow	<u>(57)</u>	<u>(718)</u>	<u>(589)</u>	<u>(1,145)</u>	<u>(2,253)</u>	<u>(322)</u>	<u>(5,084)</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(544,827)	(597,400)	(251,471)	(58,264)	-	-	(1,451,962)
Inflow	542,768	586,117	249,632	56,806	-	-	1,435,323
	<u>(2,059)</u>	<u>(11,283)</u>	<u>(1,839)</u>	<u>(1,458)</u>	<u>-</u>	<u>-</u>	<u>(16,639)</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(c) Liquidity risk (contd.)****(ii) Contractual maturity of financial liabilities on an undiscounted basis (contd.)**

<u>GROUP</u>	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non derivative financial liabilities							
Deposits from customers	20,992,644	3,794,351	2,431,063	5,326,817	105,595	45,994	32,696,464
Deposits and placements of banks and other financial institutions	771,036	475,051	226,942	69,525	644,646	-	2,187,200
Balances due to clients and brokers	73,802	-	-	-	1,113	-	74,915
Bills and acceptances payable	14	40	124	-	-	-	178
Amount due to Cagamas Berhad	666	379	2,511	9,697	10,466	-	23,719
Subordinated obligations	14,460	-	-	14,460	701,220	-	730,140
Other financial liabilities	573,234	26,149	21,751	43,502	232,536	-	897,172
	<u>22,425,856</u>	<u>4,295,970</u>	<u>2,682,391</u>	<u>5,464,001</u>	<u>1,695,576</u>	<u>45,994</u>	<u>36,609,788</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	76,173	96,467	91,971	113,733	85,551	67	463,962
Credit related commitments and contingencies	8,071,144	124,021	56,918	96,849	337,410	4,322,685	13,009,027
	<u>8,147,317</u>	<u>220,488</u>	<u>148,889</u>	<u>210,582</u>	<u>422,961</u>	<u>4,322,752</u>	<u>13,472,989</u>
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives	(57)	(752)	(624)	(1,214)	(2,801)	(424)	(5,872)
Hedging derivatives	-	34	35	69	548	102	788
Net (outflow)/inflow	<u>(57)</u>	<u>(718)</u>	<u>(589)</u>	<u>(1,145)</u>	<u>(2,253)</u>	<u>(322)</u>	<u>(5,084)</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(544,827)	(597,400)	(251,471)	(58,264)	-	-	(1,451,962)
Inflow	542,768	586,117	249,632	56,806	-	-	1,435,323
	<u>(2,059)</u>	<u>(11,283)</u>	<u>(1,839)</u>	<u>(1,458)</u>	<u>-</u>	<u>-</u>	<u>(16,639)</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

<u>BANK</u>	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
1 April 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non derivative financial 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
Bills and acceptances payable	86,155	24,942	43	-	-	-	111,140
Amount due to Cagamas Berhad	665	379	1,045	105,643	23,716	-	131,448
Subordinated obligations	-	618,270	-	-	-	-	618,270
Other financial liabilities	451,294	38,840	24,098	48,196	169,658	-	732,086
	<u>15,626,931</u>	<u>3,408,506</u>	<u>2,151,669</u>	<u>4,153,951</u>	<u>1,337,115</u>	<u>-</u>	<u>26,678,172</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	75,896	69,852	84,622	102,640	60,854	-	393,864
Credit related commitments and contingencies	<u>7,569,798</u>	<u>55,561</u>	<u>40,042</u>	<u>85,718</u>	<u>236,186</u>	<u>1,420,548</u>	<u>9,407,853</u>
	<u>7,645,694</u>	<u>125,413</u>	<u>124,664</u>	<u>188,358</u>	<u>297,040</u>	<u>1,420,548</u>	<u>9,801,717</u>
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives							
Net (outflow)/inflow	<u>-</u>	<u>(292)</u>	<u>(91)</u>	<u>82</u>	<u>1,802</u>	<u>1,381</u>	<u>2,882</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(87,071)	(380,016)	(308,146)	(441,839)	-	-	(1,217,072)
Inflow	<u>86,428</u>	<u>367,712</u>	<u>299,925</u>	<u>434,659</u>	<u>-</u>	<u>-</u>	<u>1,188,724</u>
	<u>(643)</u>	<u>(12,304)</u>	<u>(8,221)</u>	<u>(7,180)</u>	<u>-</u>	<u>-</u>	<u>(28,348)</u>

43. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

<u>GROUP</u>	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
1 April 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non derivative financial 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
Balances due to clients and brokers	85,200	-	-	-	1,543	-	86,743
Bills and acceptances payable	86,161	24,948	50	-	-	-	111,159
Amount due to Cagamas Berhad	665	379	1,045	105,643	23,716	-	131,448
Subordinated obligations	-	618,270	-	-	-	-	618,270
Other financial liabilities	539,470	39,671	24,365	48,729	238,728	-	890,963
	<u>20,225,110</u>	<u>4,050,814</u>	<u>2,586,635</u>	<u>4,815,371</u>	<u>1,478,596</u>	<u>-</u>	<u>33,156,526</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	83,560	79,896	92,500	124,509	72,905	-	453,370
Credit related commitments and contingencies	8,283,090	55,910	42,868	89,113	249,215	1,778,835	10,499,031
	<u>8,366,650</u>	<u>135,806</u>	<u>135,368</u>	<u>213,622</u>	<u>322,120</u>	<u>1,778,835</u>	<u>10,952,401</u>
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives							
Net (outflow)/inflow	-	(292)	(91)	82	1,802	1,381	2,882
<u>Derivatives settled on a gross basis</u>							
Outflow	(87,071)	(380,016)	(308,146)	(441,839)	-	-	(1,217,072)
Inflow	86,428	367,712	299,925	434,659	-	-	1,188,724
	<u>(643)</u>	<u>(12,304)</u>	<u>(8,221)</u>	<u>(7,180)</u>	<u>-</u>	<u>-</u>	<u>(28,348)</u>

43. 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 non-compliance risk arises from the Bank's failure to comply with the Shariah rules and principles determined by the relevant Shariah advisory councils.

Operational and Shariah non-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, determining control gaps, assessing potential loss and enhancing controls to mitigate the risks.

Every line of business is responsible for the management of their day-to-day operational and Shariah Compliance risks while support, monitoring and reporting is facilitated by the Group Operational Risk Management Department and Shariah Review function.

The main activities undertaken by the Group in managing operational and Shariah non-compliance risks include the identification of risks and controls, monitoring of key risk indicators, reviews of policies and procedures, operational risk and Shariah non-compliance risk awareness training, and business continuity management.

The Group applies the Basic Indicator Approach for operational risk capital charge computation.

44. CAPITAL COMMITMENTS

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Capital expenditure:			
Authorised and contracted for	37,660	57,405	23,060
Authorised but not contracted for	-	56	6,020
	<u>37,660</u>	<u>57,461</u>	<u>29,080</u>
	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Capital expenditure:			
Authorised and contracted for	37,960	58,075	23,338
Authorised but not contracted for	-	56	6,020
	<u>37,960</u>	<u>58,131</u>	<u>29,358</u>

45. 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:

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Within one year	24,816	25,563	19,898
Between one five years	16,333	31,988	12,084
	<u>41,149</u>	<u>57,551</u>	<u>31,982</u>
	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Within one year	27,810	26,731	20,977
Between one five years	18,309	33,018	13,373
	<u>46,119</u>	<u>59,749</u>	<u>34,350</u>

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 2013.

46. 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.

47. 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:

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
BANK				
31 March 2013				
<u>Credit-related exposures</u>				
Direct credit substitutes	338,044	-	338,044	338,044
Transaction-related contingent items	546,968	-	273,484	273,484
Short-term self-liquidating trade-related contingencies	114,653	-	22,931	22,931
Irrevocable commitments to extend credit:				
- maturity exceeding one year	4,334,151	-	2,167,075	1,739,319
- maturity not exceeding one year	4,370,367	-	874,073	792,789
Unutilised credit card lines	1,388,811	-	277,762	217,673
	<u>11,092,994</u>	<u>-</u>	<u>3,953,369</u>	<u>3,384,240</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- less than one year	3,938,112	14,407	58,978	28,489
Interest rate related contracts:				
- one year or less	1,060,000	640	2,374	475
- over one year to three years	775,000	2,521	15,521	3,104
- over three years	421,608	1,933	20,560	9,719
Equity related contracts:				
- over one year to three years	54,032	291	4,817	2,697
	<u>6,248,752</u>	<u>19,792</u>	<u>102,250</u>	<u>44,484</u>
	<u>17,341,746</u>	<u>19,792</u>	<u>4,055,619</u>	<u>3,428,724</u>
GROUP				
31 March 2013				
<u>Credit-related exposures</u>				
Direct credit substitutes	387,122	-	387,122	387,122
Transaction-related contingent items	585,435	-	292,717	292,717
Short-term self-liquidating trade-related contingencies	140,311	-	28,062	28,062
Irrevocable commitments to extend credit:				
- maturity exceeding one year	5,027,371	-	2,513,685	2,010,313
- maturity not exceeding one year	5,301,405	-	1,060,281	909,385
Unutilised credit card lines	1,388,811	-	277,762	217,673
	<u>12,830,455</u>	<u>-</u>	<u>4,559,629</u>	<u>3,845,272</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- less than one year	3,938,112	14,407	58,978	28,489
Interest rate related contracts:				
- one year or less	1,060,000	640	2,374	475
- over one year to three years	775,000	2,521	15,521	3,104
- over three years	421,608	1,933	20,560	9,719
Equity related contracts:				
- over one year to three years	54,032	291	4,817	2,697
	<u>6,248,752</u>	<u>19,792</u>	<u>102,250</u>	<u>44,484</u>
	<u>19,079,207</u>	<u>19,792</u>	<u>4,661,879</u>	<u>3,889,756</u>

47. 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				
31 March 2012				
<u>Credit-related exposures</u>				
Direct credit substitutes	354,758	-	354,758	354,758
Transaction-related contingent items	515,510	-	257,755	257,755
Short-term self-liquidating trade- related contingencies	126,778	-	25,356	25,356
Irrevocable commitments to extend credit:				
- maturity exceeding one year	3,645,632	-	1,822,816	1,518,664
- maturity not exceeding one year	4,675,582	-	935,116	858,102
Unutilised credit card lines	2,188,661	-	437,732	340,525
	<u>11,506,921</u>	<u>-</u>	<u>3,833,533</u>	<u>3,355,160</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- less than one year	3,147,488	17,730	64,522	38,478
Interest rate related contracts:				
- one year or less	587,000	130	912	182
- over one year to three years	1,110,000	2,592	14,192	2,838
- over three years	423,896	3,260	20,055	6,467
	<u>5,268,384</u>	<u>23,712</u>	<u>99,681</u>	<u>47,965</u>
	<u>16,775,305</u>	<u>23,712</u>	<u>3,933,214</u>	<u>3,403,125</u>
GROUP				
31 March 2012				
<u>Credit-related exposures</u>				
Direct credit substitutes	397,029	-	397,029	397,029
Transaction-related contingent items	549,766	-	274,883	274,883
Short-term self-liquidating trade- related contingencies	153,561	-	30,712	30,712
Obligation under an on-going underwriting agreement	70,122	-	35,061	35,061
Irrevocable commitments to extend credit:				
- maturity exceeding one year	4,320,657	-	2,160,328	1,786,192
- maturity not exceeding one year	5,793,193	-	1,158,639	1,004,648
Unutilised credit card lines	2,188,661	-	437,732	340,525
	<u>13,472,989</u>	<u>-</u>	<u>4,494,384</u>	<u>3,869,050</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- less than one year	3,147,488	17,730	64,522	38,478
Interest rate related contracts:				
- one year or less	587,000	130	912	182
- over one year to three years	1,110,000	2,592	14,192	2,838
- over three years	423,896	3,260	20,055	6,467
	<u>5,268,384</u>	<u>23,712</u>	<u>99,681</u>	<u>47,965</u>
	<u>18,741,373</u>	<u>23,712</u>	<u>4,594,065</u>	<u>3,917,015</u>

47. 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				
1 April 2011				
<u>Credit-related exposures</u>				
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
Irrevocable commitments to extend credit:				
- maturity exceeding one year	1,356,908	-	678,454	582,106
- maturity not exceeding one year	4,027,184	-	805,437	737,330
Unutilised credit card lines	3,425,831	-	685,166	528,386
	<u>9,801,717</u>	<u>-</u>	<u>2,823,745</u>	<u>2,502,510</u>
<u>Derivative financial instruments</u>				
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
	<u>4,956,627</u>	<u>32,047</u>	<u>123,208</u>	<u>50,068</u>
	<u>14,758,344</u>	<u>32,047</u>	<u>2,946,953</u>	<u>2,552,578</u>
GROUP				
1 April 2011				
<u>Credit-related exposures</u>				
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
Irrevocable commitments to extend credit:				
- maturity exceeding one year	1,715,131	-	857,565	727,272
- maturity not exceeding one year	4,729,308	-	945,862	852,441
Unutilised credit card lines	3,425,831	-	685,166	528,386
	<u>10,952,401</u>	<u>-</u>	<u>3,198,443</u>	<u>2,817,949</u>
<u>Derivative financial instruments</u>				
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
	<u>4,956,627</u>	<u>32,047</u>	<u>123,208</u>	<u>50,068</u>
	<u>15,909,028</u>	<u>32,047</u>	<u>3,321,651</u>	<u>2,868,017</u>

48. CAPITAL ADEQUACY

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

With effect from 1 January 2013, the capital adequacy ratios of the Bank and the Group are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing regulatory capital adequacy ratios, as well as the levels of those ratios at which banking institutions are required to operate. The framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. The risk-weighted assets of the Bank and the Group are computed using the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

Accordingly, the capital adequacy ratios of the Bank and the Group as at 31 March 2013 are computed under the Capital Adequacy Framework

The minimum regulatory capital adequacy ratios are as follow:

Calendar Year	Common Equity Tier I ("CET I") Capital Ratio	Tier I Capital Ratio	Total Capital Ratio
2013*	3.5%	4.5%	8.0%
2014*	4.0%	5.5%	8.0%
2015	4.5%	6.0%	8.0%

* transitional arrangements according to BNM Guidelines

For the comparative presentations, the capital adequacy ratios however have been set out in accordance with BNM's Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components). The minimum regulatory capital adequacy requirement is 8.0% (2011: 8.0%) for the risk-weighted capital ratio.

	<u>BANK</u>	<u>GROUP</u>
31 March 2013		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	12.24%	11.22%
Tier I capital ratio	13.62%	12.66%
Total capital ratio	13.62%	15.37%
<u>After deducting proposed dividends</u>		
CET I capital ratio	11.51%	10.62%
Tier I capital ratio	12.90%	12.06%
Total capital ratio	12.90%	14.77%
31 March 2012		
<u>Before deducting proposed dividends</u>		
Core capital ratio	14.23%	12.37%
Risk-weighted capital ratio	14.28%	15.62%
<u>After deducting proposed dividends</u>		
Core capital ratio	13.63%	11.88%
Risk-weighted capital ratio	13.68%	15.13%
1 April 2011		
<u>Before deducting proposed dividends</u>		
Core capital ratio	15.05%	12.83%
Risk-weighted capital ratio	15.09%	16.63%
<u>After deducting proposed dividends</u>		
Core capital ratio	14.50%	12.39%
Risk-weighted capital ratio	14.55%	16.18%

48. CAPITAL ADEQUACY (CONTD.)

(a) Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital under the revised Capital Adequacy Framework are as follows:

	<u>BANK</u>	<u>GROUP</u>
	31 March 2013 RM'000	31 March 2013 RM'000
<u>CET I Capital</u>		
Paid-up share capital	596,517	596,517
Share premium	201,517	201,517
Retained profits	1,641,549	1,749,256
Statutory reserve	601,561	885,744
Revaluation reserves	85,257	115,397
Other reserves	-	10,018
	<u>3,126,401</u>	<u>3,558,449</u>
Less: Regulatory adjustment		
- Goodwill and other intangibles	(241,961)	(358,275)
- Deferred tax assets	-	(11,040)
- 55% of revaluation reserve	(46,891)	(63,468)
Total CET I Capital	<u>2,837,549</u>	<u>3,125,666</u>
<u>Tier I Capital</u>		
ICPS	4,000	4,000
Share premium	396,000	396,000
Less: Regulatory adjustment		
- Investment in subsidiaries and associates	(79,467)	-
Total additional Tier I Capital	<u>320,533</u>	<u>400,000</u>
Total Tier I Capital	<u>3,158,082</u>	<u>3,525,666</u>
<u>Tier II Capital</u>		
Subordinated obligations	538,495	538,495
Collective assessment allowance	183,932	221,153
Less: Regulatory adjustment		
- Investment in subsidiaries and associates	(722,427)	(4,117)
Total Tier II Capital	<u>-</u>	<u>755,531</u>
Total Capital	<u>3,158,082</u>	<u>4,281,197</u>

(b) Components of Tier I and Tier II capital under the BNM's Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components).

	<u>BANK</u>		<u>GROUP</u>	
	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
<u>Tier I Capital (Core Capital)</u>				
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	1,397,888	1,205,162	1,517,252	1,267,463
Statutory reserve	601,561	601,561	842,167	786,406
Other reserves	-	-	10,018	10,018
Non-controlling interests	-	-	4,905	4,488
	<u>3,197,483</u>	<u>3,004,757</u>	<u>3,572,376</u>	<u>3,266,409</u>
Less: Purchased goodwill/goodwill on consolidation	(186,272)	(186,272)	(302,065)	(302,065)
Deferred tax assets	-	(56,294)	(15,038)	(83,792)
Total Tier I Capital	<u>3,011,211</u>	<u>2,762,191</u>	<u>3,255,273</u>	<u>2,880,552</u>

48. CAPITAL ADEQUACY (CONTD.)

(b) Components of Tier I and Tier II capital under the BNM's Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) (contd.):

	<u>BANK</u>		<u>GROUP</u>	
	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
<u>Tier II Capital</u>				
Subordinated obligations	597,829	600,000	597,829	600,000
Collective assessment allowance	214,419	209,182	260,666	254,546
Total Tier II Capital	<u>812,248</u>	<u>809,182</u>	<u>858,495</u>	<u>854,546</u>
Total Capital	3,823,459	3,571,373	4,113,768	3,735,098
Less: Investment in subsidiaries	<u>(801,664)</u>	<u>(801,664)</u>	<u>(3,620)</u>	<u>(3,620)</u>
Total Capital Base	<u>3,021,795</u>	<u>2,769,709</u>	<u>4,110,148</u>	<u>3,731,478</u>

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

	<u>BANK</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Credit risk	21,056,859	19,074,667	16,437,247
Market risk	74,054	157,119	54,919
Operational risk	<u>2,060,540</u>	<u>1,925,797</u>	<u>1,863,398</u>
Total RWA and capital requirements	<u>23,191,453</u>	<u>21,157,583</u>	<u>18,355,564</u>

	<u>GROUP</u>		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Credit risk	25,175,746	23,601,495	20,149,305
Market risk	76,045	265,432	71,884
Operational risk	<u>2,603,941</u>	<u>2,445,524</u>	<u>2,222,953</u>
Total RWA and capital requirements	<u>27,855,732</u>	<u>26,312,451</u>	<u>22,444,142</u>

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.

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

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
31 March 2013		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	12.93%	96.24%
Tier I capital ratio	12.93%	96.24%
Total capital ratio	13.72%	96.40%

48 CAPITAL ADEQUACY (CONTD.)

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

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
31 March 2013		
<u>After deducting proposed dividends</u>		
CET I capital ratio	12.93%	94.96%
Tier I capital ratio	12.93%	94.96%
Total capital ratio	13.72%	95.12%
31 March 2012		
<u>Before deducting proposed dividends</u>		
Core capital ratio	13.00%	58.39%
Risk-Weighted capital ratio	14.04%	58.51%
<u>After deducting proposed dividends</u>		
Core capital ratio	12.17%	57.13%
Risk-Weighted capital ratio	13.21%	57.25%
1 April 2011		
<u>Before deducting proposed dividends</u>		
Core capital ratio	12.28%	56.95%
Risk-Weighted capital ratio	13.37%	57.34%
<u>After deducting proposed dividends</u>		
Core capital ratio	12.28%	55.29%
Risk-Weighted capital ratio	13.37%	55.68%

49. 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.

50. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(a) Comparison of carrying amount and fair value

The following table summarizes the carrying amounts of financial assets and liabilities on the Bank and the Group's statement of financial position, and their fair value differentiating between financial assets and liabilities subsequently measured at fair value and these subsequently measured at amortised cost.

	BANK		GROUP	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
31 March 2013				
Financial assets				
Cash and short-term funds	1,366,655	1,366,655	1,287,734	1,287,734
Deposits and placements with banks and other financial institutions	124,946	124,946	153,236	153,236
Balances due from clients and brokers	-	-	50,122	50,122
Financial assets held-for-trading	1,265,298	1,265,298	1,519,930	1,519,930
Financial investments available-for-sale	8,428,006	8,428,006	10,362,450	10,362,450
Financial investments held-to-maturity	101,717	104,368	596,949	600,279
Derivative financial assets	19,792	19,792	19,792	19,792
Loans, advances and financing	22,907,273	23,098,386	27,771,741	28,000,945
Financial liabilities				
Deposits from customers	30,116,637	30,116,637	36,024,299	36,024,299
Deposits and placements of banks and other financial institutions	1,310,109	1,290,375	2,009,996	1,986,668
Balances due to clients and brokers	-	-	30,852	30,852
Bills and acceptances payable	73,683	73,683	73,713	73,713
Derivative financial liabilities	15,870	15,870	15,870	15,870
Amount due to Cagamas Berhad	16,290	15,080	16,290	15,080
Subordinated obligations	612,193	616,980	612,193	616,980
31 March 2012				
Financial assets				
Cash and short-term funds	1,730,290	1,730,290	1,875,994	1,875,994
Deposits and placements with banks and other financial institutions	143,461	143,461	93,438	93,438
Balances due from clients and brokers	-	-	61,764	61,764
Financial assets held-for-trading	1,342,302	1,342,302	1,491,995	1,491,995
Financial investments available-for-sale	7,419,911	7,419,911	9,123,201	9,123,201
Financial investments held-to-maturity	228,622	238,949	795,256	809,381
Derivative financial assets	23,712	23,712	23,712	23,712
Loans, advances and financing	19,812,605	20,030,887	24,488,832	24,759,345
Financial liabilities				
Deposits from customers	26,958,903	26,959,041	32,209,594	32,208,079
Deposits and placements of banks and other financial institutions	1,186,730	1,158,378	2,161,005	2,128,981
Balances due to clients and brokers	-	-	20,626	20,626
Bills and acceptances payable	131	131	178	178
Derivative financial liabilities	26,241	26,241	26,241	26,241
Amount due to Cagamas Berhad	22,044	20,471	22,044	20,471
Subordinated obligations	611,615	611,820	611,615	611,820

50. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)**(a) Comparison of carrying amount and fair value (contd.)**

	BANK		GROUP	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
1 April 2011				
Financial assets				
Cash and short-term funds	958,111	958,111	911,761	911,761
Deposits and placements with banks and other financial institutions	954,610	954,610	100,228	100,228
Balances due from clients and brokers	-	-	80,543	80,543
Financial assets held-for-trading	1,176,190	1,176,190	1,938,250	1,938,250
Financial investments available-for-sale	6,329,994	6,329,994	9,259,940	9,259,940
Financial investments held-to-maturity	633,521	643,271	940,726	955,844
Derivative financial assets	32,047	32,047	32,047	32,047
Loans, advances and financing	17,794,354	18,000,890	21,893,950	22,150,128
Financial liabilities				
Deposits from customers	23,418,868	23,418,902	29,036,879	29,036,247
Deposits and placements of banks and other financial institutions	1,390,331	1,353,765	1,952,200	1,912,490
Balances due to clients and brokers	-	-	46,987	46,987
Bills and acceptances payable	111,140	111,140	111,159	111,159
Derivative financial liabilities	33,347	33,347	33,347	33,347
Amount due to Cagamas Berhad	125,776	125,822	125,776	125,822
Subordinated obligations	600,000	615,025	600,000	615,025

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.

50. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)**(a) Comparison of carrying amount and fair value (contd.)**

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

- (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.

- (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 impairment allowances.

- (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.

50. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)**(a) Comparison of carrying amount and fair value (contd.)**

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

(ix) Subordinated obligations

The fair value of the subordinated bonds/notes 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.

(b) Financial instruments measured at fair value**Determination of fair value and fair value hierarchy**

MFRS 7 Financial Instruments: Disclosure require disclosure of financial instruments measured at fair value according to a hierarchy of valuation techniques, whether the inputs used are observable or unobservable. The following level of hierarchy are used for determining and disclosing the fair value of the financial instruments:

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables show the Group's financial instruments which are measured at fair value at the reporting date analyzed by the various levels within the fair value hierarchy:

<u>BANK</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
31 March 2013	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>				
Financial assets held-for-trading	-	1,265,298	-	1,265,298
Financial investments available-for-sale	-	8,328,534	99,472	8,428,006
Derivative financial assets	-	19,792	-	19,792
<u>Liabilities</u>				
Derivative financial liabilities	-	15,870	-	15,870
<u>GROUP</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
31 March 2013	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>				
Financial assets held-for-trading	-	1,519,930	-	1,519,930
Financial investments available-for-sale	-	10,225,058	137,392	10,362,450
Derivative financial assets	-	19,792	-	19,792
<u>Liabilities</u>				
Derivative financial liabilities	-	15,870	-	15,870

50. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)**(b) Financial instruments measured at fair value (contd.)****Determination of fair value and fair value hierarchy (contd.)**

<u>BANK</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
31 March 2012	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>				
Financial assets held-for-trading	-	1,342,302	-	1,342,302
Financial investments available-for-sale	-	7,320,235	99,676	7,419,911
Derivative financial assets	-	23,712	-	23,712
<u>Liabilities</u>				
Derivative financial liabilities	-	26,241	-	26,241
<u>GROUP</u>				
31 March 2012				
<u>Assets</u>				
Financial assets held-for-trading	-	1,491,995	-	1,491,995
Financial investments available-for-sale	4,199	8,978,333	140,669	9,123,201
Derivative financial assets	-	23,712	-	23,712
<u>Liabilities</u>				
Derivative financial liabilities	-	26,241	-	26,241
<u>BANK</u>				
1 April 2011				
<u>Assets</u>				
Financial assets held-for-trading	-	1,176,190	-	1,176,190
Financial investments available-for-sale	-	6,239,558	90,436	6,329,994
Derivative financial assets	-	32,047	-	32,047
<u>Liabilities</u>				
Derivative financial liabilities	-	33,347	-	33,347
<u>GROUP</u>				
1 April 2011				
<u>Assets</u>				
Financial assets held-for-trading	-	1,938,250	-	1,938,250
Financial investments available-for-sale	3,864	9,130,660	125,416	9,259,940
Derivative financial assets	-	32,047	-	32,047
<u>Liabilities</u>				
Derivative financial liabilities	-	33,347	-	33,347

50. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTD.)**(b) Financial instruments measured at fair value (contd.)****Determination of fair value and fair value hierarchy (contd.)**

Financial instruments that are valued using quoted prices in active market are classified as Level 1 of the valuation hierarchy. This includes listed equities and corporate debt securities which are actively traded.

Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include government securities, corporate private debt securities, corporate notes, repurchase agreements and most of the Group's derivatives.

The Group classifies financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include discounted cash flows, and other appropriate valuation models.

	<u>BANK</u>		<u>GROUP</u>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At beginning of year	99,676	90,436	140,669	125,416
Total gains/(losses) recognised in:				
- Statement of comprehensive income	-	(300)	-	(300)
- Other comprehensive income	4,564	10,690	1,491	17,704
Purchases	-	563	-	563
Disposal/redemption	(4,768)	(1,713)	(4,768)	(2,714)
At end of year	<u>99,472</u>	<u>99,676</u>	<u>137,392</u>	<u>140,669</u>

51. SEGMENT INFORMATION

The following segment information has been prepared in accordance with MFRS 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 and 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") and Wholesale Banking. SME Banking customers comprise self-employed, small and medium scale enterprises. Wholesale Banking serves public-listed and large corporate business customers including family-owned businesses. Business Banking provides a wide range of products and services including loans, trade finance, cash management, treasury and structured solutions.

(iii) Financial Markets

Financial Markets provide foreign exchange, money market, hedging 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 includes initial public offering, equity fund raising, debt fund raising, mergers and acquisitions and corporate restructuring.

(v) Others

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

51. Segment information (contd.)

Group	Consumer Banking	Business Banking	Financial Markets	Investment Banking	Others	Total Operations	Inter-segment Elimination	Total
As at 31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income								
- External income	203,811	317,738	209,698	7,395	714	739,356	(11,136)	728,220
- inter-segment	73,452	1,770	(69,649)	(5,573)	-	-	-	-
	277,263	319,508	140,049	1,822	714	739,356	(11,136)	728,220
Net income from Islamic banking business	107,090	63,966	41,166	-	-	212,222	29,936	242,158
Other operating income	124,877	143,094	133,818	17,106	31,581	450,476	(90,074)	360,402
Net income	509,230	526,568	315,033	18,928	32,295	1,402,054	(71,274)	1,330,780
Other operating expenses	(272,383)	(218,282)	(47,273)	(32,875)	(26,775)	(597,588)	7,362	(590,226)
Depreciation and amortisation	(22,237)	(16,805)	(6,809)	(820)	(45)	(46,716)	-	(46,716)
Operating profit	214,610	291,481	260,951	(14,767)	5,475	757,750	(63,912)	693,838
(Allowance for)/write-back of impairment on loans, advances and financing and other losses	(52,796)	76,908	126	529	-	24,767	-	24,767
Write-back of impairment	-	-	474	-	-	474	-	474
Segment result	161,814	368,389	261,551	(14,238)	5,475	782,991	(63,912)	719,079
Share of results in an associate								(4,714)
Taxation and zakat								(175,627)
Net profit after taxation and zakat								538,738
Segment assets	16,318,157	11,248,853	17,392,781	115,924	75,895	45,151,610	(1,948,103)	43,203,507
Reconciliation of segment assets to consolidated assets:								
Investments in associates								497
Property, plant and equipment								82,748
Unallocated assets								11,040
Intangible assets								356,168
Total assets								43,653,960
Segment Liabilities	16,844,796	13,567,665	10,280,216	(13,478)	50,392	40,729,591	(1,104,928)	39,624,663
Unallocated liabilities								50,700
Total liabilities								39,675,363

51. Segment information (contd.)

Group As at 31 March 2012	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	135,165	306,222	223,255	5,193	(14,295)	655,540	12,761	668,301
- inter-segment	95,661	(10,390)	(81,474)	(3,797)	-	-	-	-
	230,826	295,832	141,781	1,396	(14,295)	655,540	12,761	668,301
Net income from Islamic banking business	121,680	67,489	40,454	-	-	229,623	27,405	257,028
Other operating income	94,087	137,829	90,422	24,606	47,474	394,418	(74,142)	320,276
Net income	446,593	501,150	272,657	26,002	33,179	1,279,581	(33,976)	1,245,605
Other operating expenses	(251,931)	(200,699)	(39,164)	(31,373)	(22,258)	(545,425)	4,114	(541,311)
Depreciation and amortisation	(23,025)	(16,256)	(6,086)	(2,078)	(65)	(47,510)	-	(47,510)
Operating profit	171,637	284,195	227,407	(7,449)	10,856	686,646	(29,862)	656,784
(Allowance for)/write-back of impairment on loans, advances and financing and other losses	(19,977)	23,754	(1,045)	321	-	3,053	-	3,053
Write-back of impairment	-	-	21,643	-	-	21,643	-	21,643
Segment result	151,660	307,949	248,005	(7,128)	10,856	711,342	(29,862)	681,480
Share of results in an associate								(2,003)
Taxation and zakat								(171,867)
Net profit after taxation and zakat								507,610
Segment assets	13,322,928	11,243,939	16,260,597	183,957	52,149	41,063,570	(1,864,782)	39,198,788
Reconciliation of segment assets to consolidated assets:								
Investments in associates								27,035
Property, plant and equipment								89,778
Unallocated assets								15,038
Intangible assets								354,902
Total assets								39,685,541
Segment Liabilities	15,980,443	11,087,887	9,802,809	50,932	22,797	36,944,868	(1,026,777)	35,918,091
Unallocated liabilities								47,539
Total liabilities								35,965,630

52. APPLICATION OF MFRS 1: FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS 1")

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs that were effective for annual periods beginning on or after 1 April 2012 have always been applied. However, MFRS 1 allows certain elective exemptions from such retrospective application and prohibits retrospective application in some other aspects.

(a) MFRS 1 mandatory exceptions

(i) MFRS estimates

MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

(ii) Hedge accounting

Hedge accounting can only be applied prospectively from the transition date to a hedging relationship that qualifies for hedge accounting under MFRS 139 "Financial Instruments: Recognition and Measurement" at that date. Hedging relationships cannot be designated retrospectively.

(iii) Non-controlling interests

The requirements of MFRS 127 to be applied prospectively from the transition date for allocation of total comprehensive income to non-controlling interests even if this results in non-controlling interests having a deficit balance and accounting for changes in parent's ownership in subsidiary that do not result in loss of control.

The Bank and the Group have complied with the requirement of the above mandatory exceptions where applicable.

(b) MFRS 1 exemption options

The Bank and the Group did not elect for any of the exemption options.

(c) Reconciliation of MFRS 1 adjustments to total equity, total comprehensive income and statements of cash flows

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from FRSs to MFRSs for the respective financial years noted for equity and total comprehensive income.

The transition from FRS to MFRS has had no effect on the reported cash flows generated by the Bank and the Group.

(i) Reconciliation of equity

	<u>BANK</u>		<u>GROUP</u>	
	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Equity as reported under FRS	3,234,182	3,002,677	3,623,390	3,276,365
<u>Add/(less): Transitioning adjustment</u>				
Effect of adoption of MFRS 139	85,212	75,912	128,695	97,655
Taxation arising from transitioning adjustment	<u>(21,303)</u>	<u>(18,978)</u>	<u>(32,174)</u>	<u>(24,414)</u>
Equity on transition to MFRS	<u>3,298,091</u>	<u>3,059,611</u>	<u>3,719,911</u>	<u>3,349,606</u>

52. Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") (Contd.)

(c) Reconciliation of MFRS 1 adjustments to total equity, total comprehensive income and statements of cash flows (contd.)

(ii) Reconciliation of total comprehensive income

	<u>BANK</u>	<u>GROUP</u>
	31 March	31 March
	2012	2012
	RM'000	RM'000
Total comprehensive income as reported under FRS	433,034	548,479
<u>Add/(less): Transitioning adjustment</u>		
Effect of adoption of MFRS 139	9,300	31,040
Taxation arising from transitioning adjustment	(2,325)	(7,760)
Total comprehensive income upon transition to MFRS	<u>440,009</u>	<u>571,759</u>

53. CHANGE IN ACCOUNTING POLICIES

(i) MFRS 139 Financial instruments: Recognition and measurement ("MFRS 139")

Prior to 1 April 2012, under the transitional provision for FRS 139 as prescribed by BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, the Bank and the Group had maintained collective assessment allowance at 1.5% of total outstanding loans/financing net of individual assessment allowance. Upon the effective date of MFRS 139 on 1 January 2012, these transitional provisions, which were allowed under the previous FRS framework, were removed.

On 1 April 2012, the Bank and the Group adopted MFRS 139 "Financial Instruments: Recognition and Measurement" ("MFRS 139") - Accounting Policy on Collective Assessment Allowance for Loans, Advances and Financing ("loans/financing"). The Bank and the Group have applied the requirements of MFRS 139 in the determination of collective assessment allowance.

Under MFRS 139, collective assessment is performed on loans/financing which are not individually significant based on the incurred loss approach. Loans/financing which are individually assessed and where there is no objective evidence of impairment are also included in the group of loans/financing for collective assessment. These loans/financing are pooled into groups with similar credit risk characteristics and the future cash flows for each group is estimated on the basis of the historical loss experience for such assets and discounted to present value. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans/financing.

This change in accounting policy has been accounted for retrospectively and has resulted in a decrease in the collective assessment allowance charged in the statements of comprehensive income and a write-back of collective assessment allowance to the opening retained profits and opening collective assessment allowance in the statements of financial position.

53. CHANGE IN ACCOUNTING POLICIES (CONTD.)**(ii) FRSIC Consensus 18 “Monies Held in Trust by Participating Organisation of Bursa Malaysia Securities Berhad”**

During the current reporting period, the Group has changed its accounting policy in relation to the recognition of balances due to clients and brokers following the adoption of FRSIC Consensus 18, which was developed by the Financial Reporting Standards Implementation Committee (“FRSIC”) and issued by the Malaysian Institute of Accountants (“MIA”) on 18 September 2012.

Following the adoption of FRSIC Consensus 18, the Group no longer recognises monies held in trust as the Group does not have any control over trust monies to obtain the future economic benefits embodied in the trust monies with the corresponding liability of balances due to clients and brokers as at the end of the reporting period as it does not have any contractual or statutory obligation to these balances that would result in an outflow of resources embodying economic benefits from it.

This change in accounting policy has been accounted for retrospectively and has resulted in a decrease of cash and short-term funds and balances due to clients and brokers as recorded in the statements of financial position of the Group.

A summary of the financial impact of the change in accounting policies on the financial statements of the Bank and the Group are as follows :

(a) Impact on the statements of financial position

	As previously reported RM'000	Effect of change in accounting policies RM'000	As restated RM'000
As at 31 March 2012			
<u>BANK</u>			
ASSETS			
Loans, advances and financing	19,727,393	85,212	19,812,605
- Gross loans, advances and financing	20,215,279	23,927	20,239,206
- Individual assessment allowance	(225,092)	92,829	(132,263)
- Collective assessment allowance	(300,801)	(31,544)	(332,345)
Tax recoverable	14,022	(14,022)	-
LIABILITIES AND EQUITY			
Provision for taxation	-	(7,281)	(7,281)
Retained profits	(1,333,979)	(63,909)	(1,397,888)
<u>GROUP</u>			
ASSETS			
Cash and short-term funds	1,874,332	1,662	1,875,994
Balances due from clients and brokers	61,698	66	61,764
Loans, advances and financing	24,360,203	128,629	24,488,832
- Gross loans, advances and financing	24,984,046	28,101	25,012,147
- Individual assessment allowance	(266,349)	108,383	(157,966)
- Collective assessment allowance	(386,017)	(7,855)	(393,872)
Tax recoverable	15,019	(15,019)	-
LIABILITIES AND EQUITY			
Deposits from customers	(32,153,643)	(55,951)	(32,209,594)
Balances due to clients and brokers	(74,915)	54,289	(20,626)
Provision for taxation	(7,372)	(17,155)	(24,527)
Retained profits	(1,420,731)	(96,521)	(1,517,252)

53. CHANGE IN ACCOUNTING POLICIES (CONTD.)

A summary of the financial impact of the change in accounting policies on the financial statements of the Bank and the Group are as follows (contd.):

(a) Impact on the statements of financial position (contd.)

	As previously reported RM'000	Effect of change in accounting policies RM'000	As restated RM'000
As at 1 April 2011			
<u>BANK</u>			
ASSETS			
Loans, advances and financing	17,718,442	75,912	17,794,354
- Gross loans, advances and financing	18,224,239	30,608	18,254,847
- Individual assessment allowance	(273,141)	132,557	(140,584)
- Collective assessment allowance	(270,378)	(87,253)	(357,631)
Deferred tax assets	75,272	(18,978)	56,294
LIABILITIES AND EQUITY			
Retained profits	(1,148,228)	(56,934)	(1,205,162)
As at 1 April 2011			
<u>GROUP</u>			
ASSETS			
Cash and short-term funds	911,730	31	911,761
Balances due from clients and brokers	80,519	24	80,543
Loans, advances and financing	21,796,319	97,631	21,893,950
- Gross loans, advances and financing	22,439,361	34,157	22,473,518
- Individual assessment allowance	(328,375)	148,952	(179,423)
- Collective assessment allowance	(339,636)	(85,478)	(425,114)
Deferred tax assets	108,808	(25,016)	83,792
LIABILITIES AND EQUITY			
Deposits from customers	(28,997,092)	(39,787)	(29,036,879)
Balances due to clients and brokers	(86,743)	39,756	(46,987)
Deferred tax liabilities	(6,792)	602	(6,190)
Retained profits	(1,194,222)	(73,241)	(1,267,463)

53. CHANGE IN ACCOUNTING POLICIES (CONTD.)

A summary of the financial impact of the change in accounting policies on the financial statements of the Bank and the Group are as follows (contd.):

(b) Impact on the statements of comprehensive income

	As previously reported RM'000	Effect of change in accounting policies RM'000	As restated RM'000
31 March 2012			
<u>BANK</u>			
Interest income	1,263,818	(6,681)	1,257,137
Allowance for losses on loans, advances and financing and other losses	(28,643)	15,981	(12,662)
Profit before taxation	518,997	9,300	528,297
Taxation	(131,246)	(2,325)	(133,571)
Net profit after taxation	387,751	6,975	394,726
<u>GROUP</u>			
Interest income	1,328,045	(6,755)	1,321,290
Net income from Islamic banking business	256,329	699	257,028
(Allowance for)/write-back of losses on loans, advances and financing and other losses	(34,043)	37,096	3,053
Profit before taxation and zakat	648,437	31,040	679,477
Taxation and zakat	(164,107)	(7,760)	(171,867)
Net profit after taxation	484,330	23,280	507,610
Earnings per share attributable to owner of the parent			
- Basic (sen)	81	4	85
- Diluted (sen)	61	3	64

(c) Impact on capital adequacy

	<u>BANK</u>		<u>GROUP</u>	
	As previously reported RM'000	As restated RM'000	As previously reported RM'000	As restated RM'000
As at 31 March 2012				
<u>Before deducting proposed dividends</u>				
Core capital ratio	13.93%	14.23%	12.00%	12.37%
Risk-weighted capital ratio	14.37%	14.28%	15.71%	15.62%
<u>After deducting proposed dividends</u>				
Core capital ratio	13.32%	13.63%	11.52%	11.88%
Risk-weighted capital ratio	13.76%	13.68%	15.22%	15.13%
Total Tier I capital	2,947,302	3,011,211	3,158,752	3,255,273
Total Tier II capital	894,327	812,248	978,848	858,495
Total Capital Base	3,039,965	3,021,795	4,133,980	4,110,148

53. CHANGE IN ACCOUNTING POLICIES (CONTD.)

A summary of the financial impact of the change in accounting policies on the financial statements of the Bank and the Group are as follows (contd.):

(c) Impact on capital adequacy (contd.)

	<u>BANK</u>		<u>GROUP</u>	
	As previously reported RM'000	As restated RM'000	As previously reported RM'000	As restated RM'000
As at 1 April 2011				
<u>Before deducting proposed dividends</u>				
Core capital ratio	14.63%	15.05%	12.40%	12.83%
Risk-weighted capital ratio	14.98%	15.09%	16.54%	16.63%
<u>After deducting proposed dividends</u>				
Core capital ratio	14.09%	14.50%	11.95%	12.39%
Risk-weighted capital ratio	14.44%	14.55%	16.09%	16.18%
Total Tier I capital	2,686,279	2,762,191	2,782,295	2,880,552
Total Tier II capital	865,588	809,182	933,466	854,546
Total Capital Base	2,750,203	2,769,709	3,712,141	3,731,478

Certain comparatives have been restated to conform to current year presentation.

54. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**Disposal of 30% equity interest in AIA AFG Takaful Berhad**

On 11 March 2013, the Bank has entered into a conditional Share Sale Agreement with American International Assurance Berhad for the disposal of its 30% equity interest in AIA AFG Takaful Berhad comprising 30,000,000 ordinary shares of RM1.00 each fully paid for a total cash consideration of RM45 million ("The Disposal").

The sale had been completed and AIA AFG Takaful Berhad ceased to be an associate to the Bank.

The disposal does not have any material effect on the net assets per share, earnings per share and gearing of the Bank for the financial year ended 31 March 2013.

55. SUBSEQUENT EVENTS**Disposal of 70% Equity Interest in Alliance Investment Management Berhad ("AIMB")**

On 25 September 2012, the Bank had entered into an agreement to dispose 70% equity interest in AIMB for a total consideration of RM12,250,000. The proposed disposal, had been completed and AIMB ceased to be a subsidiary of the Bank with effect from 15 April 2013.

The disposal does not have any material effect on the net assets per share, earnings per share and gearing of the Bank and the Group for the financial year ended 31 March 2013. In accordance to MFRS 5, AIMB's assets and liabilities are classified as a subsidiary held for sales in these financial statements as describe in Note 18.